FUNDY MUTUAL INSURANCE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

Stevenson & Partners
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEX

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Statement 1 - Consolidated Financial Position	3
Statement 2 - Consolidated Changes in Equity	4
Statement 3 - Consolidated Comprehensive Income	5
Statement 4 - Consolidated Cash Flows	6
Consolidated Operating Expenses - Schedule 1	7
Summary of Significant Accounting Policies and Explanatory Information	8 - 29

AC Stevenson & Partners CPA LLP
567 Coverdale Road
Riverview, N.B., Canada
E1B 3K7
506-387-4044 Tel
506-387-7270 Fax
sp@partnersnb.com

INDEPENDENT AUDITORS' REPORT

To the policyholders of Fundy Mutual Insurance Company:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Fundy Mutual Insurance Company and its subsidiary as at December 31, 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 control relevant to the entity's preparation and fair presentation of the consolidated 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 control. 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 consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

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

Other Matters

In accordance with section 78 of the Insurance Act of New Brunswick, we confirm that, within the scope of materiality we have verified cash, bank balance and securities, we have checked the reserve of unearned premiums and it is calculated as required by the Insurance Act, we have examined the reserve for unpaid claims and in our opinion it is adequate, we have verified the balances owing by agents and other insurers, we have verified that the statement of financial position does not include as assets items prohibited by the Insurance Act, and that all transactions of the company that have come within our notice have been within its power.

Stevenson + Partners

Riverview, NB
March 22, 2016

Chartered Professional Accountants

FUNDY MUTUAL INSURANCE COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statement **1**

DECEMBER 31, 2015

	2015	2014
ASSETS		
Cash	$ 151,395	$ 163,125
Investments (Note 4)	9,834,100	10,755,793
Accrued interest income	35,289	32,362
Due from agents, brokers and policyholders	729,049	680,807
Reinsurers share of		
Unpaid claims (Note 5)	898,382	1,008,985
Unearned premiums (Note 5)	96,399	100,103
Receivable from other insurance companies	2,208	7,622
Income taxes recoverable	77	45,085
Investment in associate (Note 6)	3,385,140	3,505,889
Deferred premium acquisition costs (Note 5)	386,888	370,915
Investment property (Note 7)	221,153	226,143
Property and equipment (Note 8)	556,824	561,938
Other assets	31,856	41,391
Deferred income taxes (Note 10)	186,000	-
	$16,514,760	**$17,500,158**
LIABILITIES		
Reserve for unpaid claims (Note 5)	$ 1,664,846	$ 1,531,861
Other liabilities (Note 9)	188,218	216,632
Unearned premiums (Note 5)	2,069,816	1,995,194
Deferred income taxes (Note 10)	-	25,000
	3,922,880	3,768,687
Contingencies (Note 13)		
EQUITY		
General reserve - Statement 2	12,614,998	13,571,515
Accumulated other comprehensive income (loss) - Statement 2	(23,118)	159,956
	12,591,880	13,731,471
	$16,514,760	**$17,500,158**

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director

______________________________ Director

The accompanying summary of significant accounting policies and other explanatory information is an integral part of these financial statements.

FUNDY MUTUAL INSURANCE COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Statement **2**

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	**2014**
General reserve		
Balance, beginning of year	$13,571,515	$13,589,213
Net loss for the year - Statement 3	(956,517)	(17,698)
Balance, end of year - Statement 1	**$12,614,998**	**$13,571,515**
Accumulated other comprehensive income (loss)		
Balance, beginning of year	$ 159,956	$ 120,757
Total other comprehensive income (loss) - Statement 3	(183,074)	39,199
Balance end of year - Statement 1	**$ (23,118)**	**$ 159,956**

The accompanying summary of significant accounting policies and other explanatory information is an integral part of these financial statements.

FUNDY MUTUAL INSURANCE COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Statement **3**

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Premiums written	$ 3,757,708	$ 3,627,479
Less: Insurance ceded	(186,925)	(197,060)
Reinsurance premiums	(697,038)	(677,499)
Increase in unearned premiums	(79,867)	(95,642)
Net premiums earned	2,793,878	2,657,278
Losses		
Claims and adjusting expenses incurred	2,511,616	2,658,510
Reinsurance recoveries	(604,276)	(1,064,493)
Net claims incurred	1,907,340	1,594,017
	886,538	1,063,261
Expenses		
Premium acquisition expense - Schedule 1	775,324	778,005
Operating expenses - Schedule 1	1,335,820	1,413,442
	2,111,144	2,191,447
Underwriting loss	(1,224,606)	(1,128,186)
Investment income and other items (Note 11)	55,779	1,062,403
Loss before income taxes	(1,168,827)	(65,783)
Recovery of income taxes (Note 10)	212,310	48,085
Net loss for the year - Statement 2	(956,517)	(17,698)
Other comprehensive income (loss):		
Share of other comprehensive income (loss) of associate (Note 6)	(183,074)	39,199
Comprehensive income (loss) for the year	**$(1,139,591)**	**$ 21,501**

The accompanying summary of significant accounting policies and other explanatory information is an integral part of these financial statements.

FUNDY MUTUAL INSURANCE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

Statement **4**

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Cash flows from operating activities:		
Net loss for the year - Statement 3	$ (956,517)	$ (17,698)
Items not requiring an outlay of cash:		
Depreciation and amortization	63,854	72,746
Gain on disposal of investments	(290,150)	(509,974)
Loss on disposal of property and equipment	-	(2,416)
Dividends received	212,415	200,862
Change in fair value through profit or loss financial instruments (Note 16)	561,634	(228,704)
Deferred income taxes (Note 10)	(211,000)	(3,000)
Share of income of associate	(62,325)	(71,685)
Amortization of discounts on investments	5,747	5,546
	(676,342)	(554,323)
Changes in non-cash working capital balances related to operations (Note 17)	286,318	61,753
Cash flows used for operating activities	(390,024)	(492,570)
Cash flows from investing activities:		
Additions to property, equipment, intangibles and investment property	(53,753)	(80,613)
Proceeds on disposal of property and equipment	-	10,047
Proceeds on sale of investments	2,293,993	4,325,288
Purchase of investments	(1,861,946)	(3,860,085)
Cash flows from investing activities	378,294	394,637
Decrease in cash and cash equivalents	(11,730)	(97,933)
Cash and cash equivalents, beginning of year	163,125	261,058
Cash and cash equivalents, end of year	**$ 151,395**	**$ 163,125**

The accompanying summary of significant accounting policies and other explanatory information is an integral part of these financial statements.

FUNDY MUTUAL INSURANCE COMPANY

CONSOLIDATED SCHEDULE OF OPERATING EXPENSES

Schedule **1**

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Premium acquisition expenses		
Commissions expense	$ 429,633	$ 448,660
Reinsurance commissions earned	(75,166)	(74,439)
Net commissions	354,467	374,221
Advertising	1,300	689
Computer and maintenance contracts	32,814	28,610
Depreciation	2,694	1,881
Fire Marshall's tax	19,342	20,155
Miscellaneous	8,290	1,924
Premium tax	112,731	108,824
Printing, stationery and supplies	1,851	1,854
Net rental expense	23,723	30,310
Salaries and benefits	199,828	191,439
Utilities	10,862	10,481
Water, sewerage and property taxes	7,422	7,617
	$ 775,324	$ 778,005
Operating expenses		
Advertising and donations	$ 138,914	$ 222,004
Bonding and insurance	14,785	14,751
Building and equipment maintenance	31,029	31,074
Computer and maintenance contracts	131,070	135,330
Depreciation	56,172	65,876
Directors fees and expenses	80,561	78,184
Dues, conventions and education	75,582	64,011
Executive and office expenses	1,307	2,627
Heat and lights	17,564	17,154
Interest and bank charges	8,328	8,620
Loss on sale of property and equipment	-	(2,416)
Manager's vehicle expense	13,313	24,474
Miscellaneous	9,698	6,963
Postage	25,282	26,189
Printing, stationery and supplies	16,298	21,416
Professional services	58,470	48,093
Safety survey expenses	29,904	25,732
Salaries and employee benefits	582,178	577,681
Telephone	19,981	21,842
Water, sewerage and property taxes	25,384	23,837
	$ 1,335,820	$ 1,413,442

The accompanying summary of significant accounting policies and other explanatory information is an integral part of these financial statements.

Description of major business activities

Fundy Mutual Insurance Company (Fundy) is incorporated under the laws of the province of New Brunswick and is subject to regulation by the Financial and Consumer Services Commission of New Brunswick (FCNB). The company is an insurer for both property and liability risks.

1. Adoption of new and revised standards and interpretations

There are no new standards, interpretations and amendments, effective for the first time on January 1, 2015 that have a material effect on the consolidated financial statements.

At the date of authorization of these consolidated financial statements, the IASB and IFRS Interpretations committee (IFRIC) has issued the following new and revised standards, amendments and interpretations which are not yet effective during period covered by these consolidated financial statements.

IFRS 9 Financial Instruments includes revisions on the classification and measurement of financial instruments, changes to calculation of impairment on financial assets and new hedge accounting requirements. IFRS 9 replaces the current IAS 39 Financial Instruments: Recognition and Measurement and is effective for reporting periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers includes revisions to criteria on how much and when revenue is recognized. It replaces several standards currently in place (IAS 18, IAS 11 and IFRIC 13). IFRS 15 is effective for reporting periods beginning on or after January 1, 2017.

IAS 1 Presentation of Financial Statements has been amended to clarify several areas of disclosure and presentation in the financial statements. Changes to IAS 1 is effective for reporting periods beginning on or after January 1, 2016.

The company is currently assessing the potential impact on its consolidated financial statements of the above standards, but new standards are not expected to have a material impact on the company's future financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company's future consolidated financial statements.

2. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and in accordance with the regulations of the Financial and Consumer Services Commission of New Brunswick.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and deemed cost of investment property. The significant accounting policies adopted by the company are set out below.

In accordance with IFRS 4 Insurance Contracts, the company has applied previous Canadian generally accepted accounting principles (GAAP) accounting policies modified as appropriate to comply with the IFRS framework. Previous Canadian GAAP accounting policies will continue to be applied for the company's insurance contracts until such time as the current project by IASB for insurance contracts is completed and subsequently adopted.

(a) Basis of consolidation

These consolidated financial statements include the accounts of Fundy and its wholly owned subsidiary, Dairytown Insurance Ltd. All significant intercompany transactions have been eliminated.

2. Summary of significant accounting policies (continued)

(b) Financial instruments

All financial instruments are classified as either fair value through profit or loss (FVTPL), available-for-sale, held-to-maturity, loans and receivables, or other liabilities. FVTPL and available-for-sale financial instruments are revalued to their fair value as of the financial statement reporting date. FVTPL financial instruments are recognized through net income and available-for-sale financial instruments are recognized through other comprehensive income until the instrument is derecognized, impaired or sold. Held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost. Transactions costs are included in the carrying value of the financial instruments.

For information on the classification of each financial instrument of the company see Note 16.

Available-for-sale financial assets are assessed for indicators of impairment at each reporting period date. They are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. A significant or prolonged decline in fair value of an available-for-sale financial asset below its cost is considered to be objective evidence of impairment.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets and the loss is recognized in net income for the year.

In respect of available-for-sale financial instruments, impairment losses previously recognized through net income are not reversed through net income for the year. Any increase in fair value subsequent to an impairment loss is recognized directly in comprehensive income for the year.

Investments

Equities, bonds and debentures are carried at fair value based on bid prices published in financial newspapers or bid quotations received from securities dealers. Any premiums or discount on bond acquisitions is amortized, and any specific investment provisions flow through net income.

Investment income

Realized gains and losses arising from the sale of investments are the difference between the proceeds received, net of transaction costs, and its original cost or amortized cost as appropriate, using the average cost basis. Interest income is recorded on the accrual basis and dividends are recorded when the rights to receive payment have been established. Bond premiums and discounts are amortized over the life of the bond.

Unrealized gains and losses

Unrealized gains or losses on the investments represents the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

2. Summary of significant accounting policies (continued)

(c) **Insurance contracts**

Deferred premium acquisition costs

Deferred premium acquisition costs consist of agents' commissions and other policy acquisition costs which relate directly to the acquisition of premiums. 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.

Reserves for unpaid claims

Reserves unpaid claims includes claims and adjustment expenses which represent the estimated amounts required to settle all outstanding and unreported claims incurred to the end of the fiscal year. The valuation of the claims liabilities is determined on a non-discounted basis.

Salvage and subrogation recoverable

In the normal course of business, the company obtains the ownership of damaged property, which they resell to various salvage operations. Unsold property is valued at its estimated net realizable value.

Where the company indemnifies policyholders against a liability claim, it acquires rights to subrogate its claim against other parties. These claims are reflected at amounts expected to be received from the subrogated parties net of related costs.

Insurance ceded

Premiums, claims and premium taxes are recorded net of amounts ceded to and receivable from reinsurers. Unearned premiums and deferred policy acquisition costs are also reported net of business ceded to reinsurers.

Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders. The recoverable amounts are estimated in a manner consistent with unpaid claim liability to the policyholder.

Earned/unearned premium revenue

Premium revenue is recognized on a daily pro rata basis over the terms of the insurance policies. Unearned premiums represent the portion of premiums written which are applicable to the unexpired terms of the policy in force.

(d) **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, the company considers cash on hand to be balances with bank and stockbrokers, net of overdrafts, as cash or cash equivalents. Bank borrowings are considered to be financing activities.

(e) **Investment in associate**

The investment in the shares of the associate is accounted for on the equity basis whereby the carrying value of the investment is adjusted for Fundy's share of net income and other comprehensive income of the associate. Investments are written down when a decline in the value below cost is determined to be other than temporary.

2. Summary of significant accounting policies (continued)

(f) Property and equipment

Property and equipment is recorded at cost less accumulated amortization and any recognized impairment loss. Depreciation is provided annually on a straight-line basis at rates calculated to write-off the cost of the property and equipment over their estimated useful lives using the following rates:

Building	15 to 40 years
Office furniture and equipment	15 years
Computer hardware	3 years
Automobiles	3 to 6 years

(g) Intangible assets

Intangible assets consist of computer software, which are not integral to the computer hardware owned by the company.

Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 3 years.

(h) Investment property

The company's investment property consists of land and building held to earn rental income. Investment property is initially recorded at cost or deemed cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated. Buildings are depreciated on a straight-line basis over their estimated useful life of 15 to 40 years.

Rent receivable is recognized in net income and is spread on a straight-line basis over the period of the lease.

(i) Impairment of tangible assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the asset's useful life.

The recoverable amount is the higher of fair value less costs to sell and value in use. In 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

2. Summary of significant accounting policies (continued)

(i) Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increase in carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

(j) Income taxes

The tax expense represents the sum of current income tax payable and deferred income tax relating to the year's operations.

The income tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current income tax is calculated using income tax rates effective at the statement of financial position date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statement and the corresponding income tax bases used in the computation of taxable income. Deferred tax is accounted for as an asset or liability on the consolidated statement of financial position. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that have been enacted or substantially enacted at the end of the reporting period. Deferred tax is charged or credited to the consolidated statement of comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred income tax is charged or credited in equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset of current income tax assets and liabilities and when the company intends to settle its current income tax assets and liabilities on a net basis.

(k) Comprehensive income

Comprehensive income includes the change in the company's net assets that result from transactions, events and circumstances from sources other than the company's equity and includes items that would not normally be included in net income, such as unrealized gains and losses on available-for-sale financial instruments from the company or as a result of the company's portion of available-for-sale financial instruments in its associate.

2. Summary of significant accounting policies (continued)

(l) **Product classification**

The company's product consists of property and liability insurance and is classified, for accounting purposes, as an insurance contract. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario. Such contracts may also transfer financial risk.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in a period of the revision and future periods if the revision affects both current and future periods.

(a) **Critical judgments in applying the company's accounting policies**

Management has not made any critical judgments apart from those involving estimations (which are dealt with separately below) in the process of applying the company's accounting policies that have significant effect on the amounts recognized in these consolidated financial statements.

(b) **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of reserves for unpaid claims

Determining the reserve for unpaid claims involves an assessment of the future development of the claims. The process takes into account the consistency of the company's claims handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises, and the delays in reporting of claims. These reserves for unpaid claims are estimates and, as such, are subject to variability, which could be material in the near term. Changes to the estimates could result from future events such as receiving additional claim information, changes in judicial interpretations of contracts or significant changes in severity or frequency of claims from past trends. In general, the longer the term required for settlement of claims, the more variable the estimates.

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

(b) Key sources of estimation uncertainty (continued)

Valuation of reserves for unpaid claims (continued)

The estimates are principally based on the company's historical experience. Methods of estimation have been used that the company believes produce reasonable results given current information. As additional experience and other data become available, the estimates could be revised. Any future changes in estimation would be reflected in the net income for the year in which the change occurred.

4. Investments

Investments are classified as fair value through profit or loss financial instruments, and therefore are carried at their fair value. The fair value of investments is as follow:

	2015 Fair Value	**2014 Fair Value**
Term deposit	$ 514	$ 513
N.B.M.I.A. Guarantee Fund	753	684
Short term investments	432,729	975,175
Equity investments	6,663,828	6,849,504
	7,097,824	7,825,876
Bonds and debentures maturing within one year:		
Provincial/Municipal Governments	-	343,810
Canadian Corporate/Financial Institutions	200,000	265,820
Bonds and debentures maturing more than one year:		
Provincial/Municipal Governments	648,890	1,397,097
Canadian Corporate/Financial Institutions	1,887,386	923,190
	2,736,276	2,929,917
	$ 9,834,100	**$ 10,755,793**

The interest rates on bonds and debentures are as follows:

	Interest receivable basis	**2015** Effective rates (% range)	**2014** Effective rates (% range)
Provincial/Municipal Governments	semi-annual	2.78% to 4.4%	2.78% to 5.30%
Canadian Corporate/Financial Institutions	semi-annual	2.2% to 6%	1.95% to 6.5%

5. Insurance contracts

Deferred premium acquisition costs

The following is a schedule of the changes in deferred premium acquisition costs for the year:

	2015	2014
Beginning of year	$ 370,915	$ 351,786
Acquisition costs incurred during the year	751,542	725,496
Expensed during the year	(735,569)	(706,367)
End of year	$ 386,888	$ 370,915

Reserve for unpaid claims

Changes in claim liabilities recorded in the consolidated statement of financial position for the years ended December 31, 2015 and 2014 and their impact on claims and adjustment expenses for the two years are as follows:

	2015	2014
Reserve of unpaid claims, beginning of year		
Gross	$ 1,531,861	$ 596,307
Reinsurer's share	(1,008,985)	(133,277)
	522,876	463,030
Decrease in estimated losses and expenses, for losses occurring in prior years	(97,293)	(68,878)
Provision for losses and expenses on claims occurring in the current year	2,004,633	1,663,395
	1,907,340	1,594,517
Paid claims occurring during:		
Current year events	(1,325,609)	(1,240,307)
Prior events	(338,143)	(294,364)
	(1,663,752)	(1,534,671)
	$ 766,464	$ 522,876
Reserve for unpaid claims, end of year:		
Gross	$ 1,664,846	$ 1,531,861
Reinsurer's share	(898,382)	(1,008,985)
	$ 766,464	$ 522,876

The company has determined estimated settlements in the next fiscal year on the reserve for unpaid claims noted above to be $679,000. This estimate was determined through the use of historical data on claims payments year over year.

5. Insurance contracts (continued)

Claims development

The estimation of claim development involves assessing the future behaviour of claims, taking into account the consistency of the company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for settlement of a group of claims the more variable the estimates. Short-term settlement claims are those which are expected to be substantially paid within a year of being reported

The table below presents the development of claims payments and the estimated total cost of claims for the years 2007 to 2015. The upper half of the table shows the cumulative amounts paid or estimated to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

Claims net of reinsurer's share ($'000)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Net estimate of cumulative claims cost										
At the end year of claim	659	$ 1,264	$ 885	$ 703	$ 1,204	$ 855	1,066	1,662	2,005	
One year later	644	1,228	825	684	1,178	805	1,005	1,597		
Two years later	652	1,229	809	684	1,177	798	1,005			
Three years later	656	1,230	813	684	1,177	805				
Four years later	645	1,220	803	687	1,177					
Five years later	661	1,223	819	679						
Six years later	661	1,220	820							
Seven years later	681	1,220								
Eight years later	670									
Current estimate of cumulative claims cost	670	1,220	820	679	1,177	805	1,005	1,597	2,005	9,978
Cumulative payments	670	1,220	804	673	1,167	792	995	1,565	1,326	9,212
Outstanding claims	-	-	16	6	10	13	10	32	679	766
Outstanding claims 2006 and prior										-
Total net outstanding claims										$ 766

Unearned premiums and reinsurers share of unearned premiums

The following is a schedule of the changes in reinsurer's share of unearned premiums for the year:

	2015	2014
Beginning of year	$ 100,103	$ 99,783
Reinsurer's share of premiums written in year	182,170	188,348
Reinsurer's share of premiums earned in year	(185,874)	(188,028)
End of year	$ 96,399	$ 100,103

5. Insurance contracts (continued)

Unearned premiums and reinsurers share of unearned premiums (continued)

Unearned premiums on the consolidated statement of financial position consist of the unearned portions of premiums, reinsurance premiums and deferred commissions. The following is a schedule of the changes in the above for the year:

	2015	2014
Beginning of year	$ 1,995,194	$ 1,897,434
Premiums written in year	3,757,708	3,627,479
Premiums earned in year	(3,683,086)	(3,529,719)
End of year	$ 2,069,816	$ 1,995,194

6. Investment in associate

United General Insurance Corporation (United General) is owned by the four New Brunswick Mutual Insurance companies including Fundy Mutual Insurance Company. United General writes automobile policies for these New Brunswick Mutuals. The automobile policies are sold by the company's agents and the company receives no direct benefit from these automobile policies.

The investment in associate, United General includes:

	2015	2014
Voting shares	$ 73,818	$ 73,818
Participating shares	2,747,442	2,747,442
Undistributed share of post-acquisition income	856,998	794,673
Undistributed share of other comprehensive income (loss)	(23,118)	159,956
	3,655,140	3,775,889
Allowance for impairment of investment in associate	(270,000)	(270,000)
	$ 3,385,140	$ 3,505,889

At December 31, 2015, the company held approximately 27% (2014 - 26%) of the total equity of United General and had 25% of voting control.

Subject to the terms of a shareholder agreement, the net income or loss of United General is allocated to each shareholder annually. Historically, for each dollar of income allocated to one of the shareholders, one share of United General's participating shares is issued. For each dollar of loss attributable to one of the shareholders, they must surrender one of their participating shares for cancellation. There have been no shares issued or surrendered since 2007.

Under the terms of a shareholder agreement, should the company wish to withdraw from United General, it would receive proceeds equal to 80% of the book value of the company's equity in United General. If the company was required to withdraw from United General, it would receive proceeds equal to 120% of the book value of the company's equity in United General.

6. Investment in associate (continued)

The company's portion of United General's underwriting income is based on the auto business written by the company's agents for United General, net of the expenses relating to those premiums. The company's portion of United General's investment income and other comprehensive is based on the average net assets of United General contributed by the company. The following is a summary of the company's portion of United General's financial position and operations:

Statement of financial position

	2015	2014
Assets		
Investments	$ 4,684,104	$ 4,618,282
Due from agents, brokers and policyholders	405,556	383,135
Reserve for unpaid claims recoverable from reinsurers	183,546	146,961
Other assets	264,929	296,070
	$ 5,538,135	**$ 5,444,448**
Liabilities		
Reserve for unpaid claims	$ 993,753	$ 799,716
Unearned premiums	796,932	745,288
Other liabilities	92,310	123,555
	1,882,995	1,668,559
Shareholder's equity	3,655,140	3,775,889
	$ 5,538,135	**$ 5,444,448**

Statement of operations

	2015	2014
Gross premiums earned	$ 608,294	$ 638,382
Reinsurance costs	(128,204)	(135,190)
Net premiums earned	480,090	503,192
Net claims incurred	(306,159)	(248,279)
Commissions and other expenses	(267,110)	(278,509)
Underwriting loss	(93,179)	(23,596)
Investment and other income	193,748	109,255
Income before income taxes	100,569	85,659
Provision for Income taxes	(38,244)	(12,861)
Adjustment for previous allocations	-	(1,113)
Company's portion of annual income	**$ 62,325**	**$ 71,685**

7. Investment property

	Land	Building	Total
Gross Carrying Amount			
Balance December 31, 2014	$ 70,000	$ 184,113	$ 254,113
Additions	-	-	-
Disposals	-	-	-
Balance December 31, 2015	70,000	184,113	254,113
Depreciation and impairment			
Balance December 31, 2014	-	27,970	27,970
Additions	-	4,990	4,990
Disposals	-	-	-
Balance December 31, 2015	-	32,960	32,960
Carrying amount, December 31, 2015	**$ 70,000**	**$ 151,153**	**$ 221,153**
Gross Carrying Amount			
Balance January 1, 2014	$ 70,000	$ 184,113	$ 254,113
Additions	-	-	-
Disposals	-	-	-
Balance December 31, 2014	70,000	184,113	254,113
Depreciation and impairment			
Balance January 1, 2014	-	22,980	22,980
Additions	-	4,990	4,990
Disposals	-	-	-
Balance December 31, 2014	-	27,970	27,970
Carrying amount, December 31, 2014	**$ 70,000**	**$ 156,143**	**$ 226,143**

The fair value of the investment property is approximately $250,000 (2014 - $250,000).

Investment property held by the company is leased out under operating leases on a month to month basis.

8. Property, equipment and intangible assets

	Property and equipment						Intangible assets
	Land	Building	Office Furniture and Equipment	Computer Hardware	Automobiles	Total	Computer Software
Gross Carrying Amount							
Balance January 1, 2015	$ 175,000	$ 488,560	$ 151,627	$ 162,851	$ 67,367	$ 1,045,405	$ 189,748
Additions	-	30,742	9,070	13,941	-	53,753	-
Disposals	-	-	-	-	-	-	-
Balance December 31, 2015	175,000	519,302	160,697	176,792	67,367	1,099,158	189,748
Depreciation and impairment							
Balance January 1, 2015	-	200,216	109,548	113,625	60,078	483,467	189,748
Additions	-	19,144	6,815	29,260	3,645	58,864	-
Disposals	-	-	-	-	-	-	-
Balance December 31, 2015	-	219,360	116,363	142,885	63,723	542,331	189,748
Carrying amount, December 31, 2015	**$ 175,000**	**$ 299,942**	**$ 44,334**	**$ 33,907**	**$ 3,644**	**$ 556,827**	**$ -**
Gross Carrying Amount							
Balance January 1, 2014	$ 175,000	$ 488,560	$ 144,853	$ 128,147	$ 90,260	$ 1,026,820	$ 189,748
Additions	-	-	6,774	73,839	-	80,613	-
Disposals	-	-	-	(39,135)	(22,893)	(62,028)	-
Balance December 31, 2014	175,000	488,560	151,627	162,851	67,367	1,045,405	189,748
Depreciation and impairment							
Balance January 1, 2014	-	183,736	101,873	112,804	71,695	470,108	189,748
Additions	-	16,480	7,675	39,956	3,645	67,756	-
Disposals	-	-	-	(39,135)	(15,262)	(54,397)	-
Balance December 31, 2014	-	200,216	109,548	113,625	60,078	483,467	189,748
Carrying amount, December 31, 2014	**$ 175,000**	**$ 288,344**	**$ 42,079**	**$ 49,226**	**$ 7,289**	**$ 561,938**	**$ -**

The company did not record any impairment charges or reversals during the years noted above.

9. Other liabilities

	2015	2014
Premium and Fire Marshall's taxes payable	50,443	51,039
Other payables and accruals	137,778	165,593
	$ 188,221	$ 216,632

10. Income taxes

The company's recovery of income taxes is made up of the following items:

	2015	2014
Current income taxes (expense) recovery	$ 1,310	$ 45,085
Deferred income taxes (expense) recovery	211,000	3,000
	$ 212,310	$ 48,085

In computing the company's taxable income there are certain items that are restricted in their deduction or are not taxable:

	2015	2014
Company's income before income taxes	$(1,168,827)	$ (65,783)
Temporary differences	8,162	13,215
Non-taxable dividends	(171,564)	(168,688)
Share of income of associate	(62,325)	(71,685)
Income tax losses carried forward	1,393,384	-
Non-deductible and restricted deductible expenses	1,170	779
Taxable income	-	(292,162)
Current effective tax rate	27 %	27 %
	-	(78,884)
Small business deduction	-	33,799
Recovery for changes in prior year taxes	1,310	-
Current income tax	$ 1,310	$ (45,085)

The effects of cumulative temporary differences, which give rise to the net deferred income tax assets or liabilities reported, are as follows:

	Beginning of year	2015 Included in comprehensive income	End of year
Excess of undepreciated capital cost over net book value	$ (29,183)	427	$ (28,756)
Non-capital losses for use in future years	-	209,008	209,008
Reserve for unpaid claims	4,183	1,565	5,748
	$ (25,000)	$ 211,000	$ 186,000

10.Income taxes (continued)

	Beginning of year	2014 Included in comprehensive income	End of year
Excess of undepreciated capital cost over net book value	$ (31,704)	2,521	$ (29,183)
Reserve for unpaid claims	3,704	479	4,183
	$ (28,000)	$ 3,000	$ (25,000)

11. Investment and other income

	2015	2014
Interest from term deposits, bonds and debentures	$ 124,812	$ 125,571
Dividends received	212,415	200,862
Gain on disposal of investments	290,150	509,974
Change in fair value through profit or loss financial instruments (Note 16)	(561,634)	228,704
Investment management fees	(90,649)	(94,861)
Amortization of premiums on investments	(5,747)	(5,546)
Share of income of associate (Note 6)	62,325	71,685
Interest income on premiums receivable	24,107	26,014
	$ 55,779	$ 1,062,403

12. Related party transactions

Key management of the company are senior employees, officers and members of the board of directors. The following is a detail of key management remuneration:

	2015	2014
Key management remuneration	$ 202,878	$ 209,124

Included in the consolidated statement of comprehensive income are the following items relating to key management:

Premiums paid	$ 19,505	$ 19,865
Claims incurred	$ -	$ -

13. Contingencies and commitment

(a) In common with the insurance industry in general, the company is subject to litigation arising in the normal course of conducting its insurance business, which is taken into account in establishing the reserve for unpaid claims.

(b) The minimum lease payments under operating leases are as follows:

2016	$ 53,980
2017	33,265
2018	4,054

14. Capital management

The company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements. Reinsurance is utilized to protect capital from catastrophic losses as the frequency and severity of these losses are inherently unpredictable (see Note 15(a)). For the purpose of capital management, the company has defined capital as its General Reserve, excluding accumulated other comprehensive income.

The Insurance Act of New Brunswick requires insurers to maintain a reserve requirement equal to the sum of $500 for every $100,000 of the first $1,000,000 of insurance in force, and $3,000 for each additional $1,000,000 or part thereof insurance in force. The company's general reserve as at December 31, 2015 was 1.95 (2014 - 2.19) times the requirement of the New Brunswick Insurance Act, which results in a total reserve requirement of $6,469,000 (2014 - $6,201,000)

Government regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators generally expect 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. The regulator indicates that the company requires a minimum capital available of $2,019,000 (2014 - $1,498,000). The capital available for the company at December 31, 2015 was $9,021,000, 447% of required minimum capital (2014 - $10,215,000, 682% of required minimum capital).

15. Risk management, reinsurance and other risks

(a) Insurance risk

Reserves for unpaid claims

The principal risk the company faces under insurance contracts is the actual claims and liabilities payments or the timing thereof may differ from expectations. This is influenced by the 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 reserve for unpaid claims and related reinsurer's share are estimates subject to variability and which might be material in the near term. The variability arises because all events affecting the ultimate settlement of claims may not have taken place and may not take place for some time. Variability 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 principally based on the company's historical experience. Methods of estimation are used, which the company believes produce reasonable results given current information. All changes in estimates are recorded as incurred claims in the current period.

15. Risk management, reinsurance and other risks (continued)

(a) Insurance risk (continued)

The company assists in minimizing risk of the above by diversifying risk across a large portfolio of insureds.

Reinsurance and underwriting

The company mitigates its insurance risk by having in place underwriting guidelines as well as reinsuring insurance contracts which limit the liability of the company to a maximum amount on any one claim. The company uses its underwriting guidelines to minimize risk by assessing individual policies, determining if the risk is within the tolerable range and then pricing the policy accordingly.

The current reinsurance contracts are as follows:

Property claims

First $200,000 per loss, which limits the company's exposure in any one property claim to $200,000. In addition, the company has obtained reinsurance which limits the company's liability to $600,000 in a catastrophe. Stop loss reinsurance is also in effect which protects the company to limit the "Net Incurred Loss Ratio" to 80% of its fire insurance premiums. For losses exceeding 200% of gross premiums income, the deductible is not applicable.

For the 2016 fiscal year the reinsurance arrangement will change for property claims to $150,000 per loss, which limits the company's exposure in any one property claim to $150,000. In addition the company's liability in a catastrophe will be $450,000.

Liability claims

The company pays 50% of the first $20,000 per loss, which limits the company's exposure in any one liability claim to $10,000. Liability reinsurance is effected through a 50/50 quota share treaty. For losses exceeding 200% of gross premium income, the deductible is not applicable.

Reinsurance ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts. Unearned premiums on business ceded and estimates of amounts recoverable from the reinsurers on reserve for unpaid claims are recorded on the consolidated statement of financial position. A contingent liability exists with respect to reinsurance ceded which could become a liability of the company in the event the reinsurer might be unable to meet its obligations under the reinsurance agreement.

The reinsurance of insurance contracts does not relieve the company's obligation to the policyholders. The company is exposed to the risk that the reinsurer will be unable to meet its obligations.

Insurance pricing

The company is exposed to pricing risk to the extent that the company's unearned premiums are insufficient to meet related future policy cost. The company evaluates this risk on a regular basis by estimating future policy costs through extrapolation of historical loss trends

15. Risk management, reinsurance and other risks (continued)

(a) Insurance risk (continued).

Sensitivity analysis

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The company's uses various techniques based on past claims development and experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims occurrence, expected loss ratios and claims development as described in Note 5.

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

	2015	2014
5% increase/decrease in loss ratio		
Gross	$ 144,000	$ 157,000
Net of reinsurance recoveries	$ 119,000	$ 112,000

(b) Other risks

Property insurance risk

In the current year the company has underwritten insurance on the three properties it owns (Note 7 and Note 8). There is a risk to the company if there is a claim under its property or liability insurance. The current maximum risk to the company is $450,000 in property insurance and $30,000 in liability insurance totaling $480,000 in total risk exposure. This maximum risk exposure takes into consideration that the company will be subject to maximum property and liability claims, however this is unlikely to occur. The company's insurance policies follow standard reinsurance arrangements as noted above.

Credit risks

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company conducts a thorough assessment of debtors prior to granting credit and actively monitors the financial health of its debtors on an on-going basis. The premiums receivable, net of applicable reserves, approximates fair value.

The company’s investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio remains very high quality with all of the bonds rated BB or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. (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.

Accounts receivables are short-term in nature consisting of a large number of policyholders, and are not subject to material credit risk.

15. Risk management reinsurance and other risks (continued)

(b) Other risks

Credit risks (continued)

The maximum exposure to investment credit risk and concentration of this risk is outlined in Note 5.

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.

Liquidity Risks

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 maintains high levels of liquid assets (cash, term deposits, equities and debt securities) to ensure that any reasonably unforeseen cash demand can be met readily. 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.

All financial liabilities have a maturity of less than one year.

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 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 Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

Interest rate risks

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to this risk through its interest bearing investments. The company's invests in a diversified bond portfolio with 5 to 10 year maturity horizons to help mitigate the effect of interest rate fluctuations on interest income. Interest income is affected negatively in falling rate conditions but positively in rising interest rate conditions. At December 31, 2015, an increase or decrease of 1% in interest rates, with all other variables held constant, would affect the comprehensive income by $90,000, net of tax.

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.

15. Risk management reinsurance and other risks (continued)

(b) Other risks (continued)

Market risk (continued)

Currency risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse impact on comprehensive income when measured in the company's operating currency.

The company's foreign exchange risk is related to its foreign stock holdings. Foreign currency changes are monitored by the investment committee. Foreign stocks included in the company's available for sale financial assets primarily relate to US dollar denominated equities totaling $2,232,050 Canadian. A 10% rise or fall in the value of the US dollar, with all other variables held constant, would affect comprehensive income by $223,000, net of tax. The company has not entered into any derivative financial instruments to hedge this currency risk exposure.

There have been no significant changes from the previous year in the exposure to risk or policy 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 equity holdings within its investment portfolio. The company is not generally exposed to equity risk on its debt securities as these investments are typically held to their maturity.

The company's investment policy includes guidelines on the equity portfolio related to portfolio composition, preferred share rating as well as general guidelines for group and industry exposure. The company's equity portfolio is monitored by management on a quarterly basis. To further minimize risk exposure, the company has its investments managed by four third party investment managers.

The company’s portfolio includes stocks and mutual funds with fair values that move with the changes in stock markets. A 10% movement in the stock markets with all other variables held constant would have an estimated effect on comprehensive income by $290,000, net of tax.

16. Fair value of financial instruments

Financial instruments included in the consolidated statement of comprehensive income of Fundy Mutual Insurance Company are broken down as follows:

Loans and receivables

Accrued interest income, receivables from other insurance companies, and reinsurer's share of unpaid claims

Fair value through profit or loss

Cash, investments and investments in associate

Other liabilities

Reserve for unpaid claims, and other liabilities

16. Fair value of financial instruments (continued)

The above financial instruments are carried at their fair value. The maximum credit exposure to these financial instruments is their carrying amounts. Fair values were determined by management using the assumptions outlined below. Fair values are an estimate based on current market conditions and may not be reliable due to the use of assumption and are at a specific point in time and may not be reflective of future fair values.

The fair values of accrued interest income, receivable from other insurance companies, due to other insurance companies, reserves for unpaid claims and reinsurer's share of unpaid claims and other liabilities are the same as their carrying amount due to their short-term nature.

The fair value of investments was determined as outlined in Note 2.

The company employs a fair value hierarchy to categorize the inputs it uses in valuation techniques to measure the fair value. The extent of use of (Level 1) quoted prices in active markets for identical assets or liabilities, (Level 2) inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, and (Level 3) inputs for the asset or liability that are not based on observable market data in the valuation of securities as at December 31, 2015 is as follows:

	Total Fair Value	Level 1 Quoted Prices	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Assets				
Cash	$ 151,395	$ 151,395	$ -	$ -
Accrued interest income	35,289	-	-	35,289
Reinsurance share of unpaid claims	898,382	-	-	898,382
Guarantee Fund	753	-	753	-
Investment in associate	3,385,140	-	-	3,385,140
Equity investments	6,663,828	6,663,828	-	-
Short term investments	432,729	432,729	-	-
Bonds, Debentures and Term Deposits	2,736,790	-	2,736,790	-
	$14,304,306	**$ 7,247,952**	**$ 2,737,543**	**$ 4,318,811**
Liabilities				
Reserve for unpaid claims	$ 1,664,846	$ -	$ -	$ 1,664,846
Other liabilities	188,218	-	-	188,218
	$ 1,853,064	**$ -**	**$ -**	**$ 1,853,064**

The cumulative fair value adjustment for the above fair value through profit or loss financial assets is as follows:

	Beginning of year	Adjustment in year	End of year
Cumulative fair value adjustment for			
December 31, 2015			
FVTPL financial assets	**$ 1,960,668**	**$ (561,634)**	**$ 1,399,034**
December 31, 2014			
FVTPL financial assets	**$ 1,731,964**	**$ 228,704**	**$ 1,960,668**

16. Fair value of financial instruments (continued)

Adjustment to the cumulative reserve is as a result of the following:

	2015	2014
Adjustment for sale of FVTPL financial assets	$ (251,617)	$ (360,746)
Unrealized gains (losses) in FVTPL financial assets	(310,017)	589,450
	$ (561,634)	$ 228,704

17. Supplementary cash flow information

	2015	2014
Change in non-cash working capital balances related to operations		
Accrued interest income	$ (2,927)	$ 7,678
Due from agents, brokers, and policyholders	(48,242)	(6,880)
Receivable from other insurance companies	5,414	10,330
Reinsurers share of unpaid claims and adjustment expenses/unearned premiums	114,307	(876,028)
Income taxes payable/recoverable	45,009	(84,838)
Deferred premium acquisition costs	(15,973)	(19,128)
Other assets	9,535	(3,317)
Reserve for unpaid claims	132,985	935,554
Other liabilities	(28,411)	621
Unearned premiums	74,621	97,761
	$ 286,318	$ 61,753
Other cash flow information:		
Interest received	$ 65,815	$ 80,417
Income taxes paid	$ -	$ 49,231
Income taxes received	$ 46,248	$ 9,478