



**MUTUELLE
D'ASSURANCE
EN ÉGLISE**

CABINET EN ASSURANCE DE DOMMAGES

2018 ANNUAL REPORT

**CLIMBING TO
NEW HEIGHTS**



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The pictures in this annual report come from some of our activities and from churches that are members of the Mutuelle.



OUR EXPERIENCE IS YOUR SAFETY NET

For 165 years, the Mutuelle d'assurance en Église has taken pride in basing its practices on mutualism and mutual assistance. Through mutualism and the pooling of resources that underlies it, the members collectively provide themselves with exceptional means of maintaining and even improving the quality of their risk profile for the future, all while benefiting from a protection that is designed for them and that is administered by peers that have been elected by them.

Indeed, mutualism has a specific structure that allows members to take part in the election of leaders and in making important decisions. This is a major advantage that you won't find in a private company where the members are not owners. Since the Mutuelle belongs to its members, it is vital that each member be aware of this significant difference, that they assert their opinions by using their voting rights when the occasion presents itself and that they get involved, particularly in the development of the Mutuelle's mission.

It is equally important to remember that by being part of the Mutuelle, each member also contributes to the financial health of the Christian community, because the efforts of each member towards prevention are reflected in a collective positive effect for all the members. Being a member of the Mutuelle d'assurance en Église is more than just a contract, it is a labour of love and pride.

In closing, because it evolved over the years in the unique Church environment, the Mutuelle is also very aware of the current and future challenges faced by its members and has the advantage of knowing their needs well. That is why we take into consideration the importance of offering them competitive rates, annual members' surplus distribution, a devoted team, outstanding customer service and additional services such as the Centre d'entraide et de prevention, which you will not find in the private sector.

MISSION

OUR MISSION

To support, through mutual cooperation and collaboration, the insurance needs of the Roman Catholic Church of Quebec.

VISION

OUR VISION

To be a trusted partner for the fabriques, dioceses and religious institutions.

To be recognized as the best provider of insurance products by those responsible for religious buildings.

To be recognized as a solid, credible and competent financial institution by the financial community and regulatory agencies.

VALUES

OUR VALUES

- Protection, dignity and recognition of each member;
- Primacy of collective interest over individual interest;
- Mutual assistance, solidarity, fairness and good faith;
- Mutualism;
- Democratic governance and transparency;
- Prevention and caution – guarantors of our financial soundness and continuity.





OUR COMMUNITY IN NUMBERS

2018

IMPORTANT FACTS

26

INSTITUTIONS

Roman Catholic religious
institutions in Quebec

543

FABRIQUES

Roman Catholic dioceses
served by la Mutuelle
(see map below)

89

INSTITUTIONS

From other Christian
denominations
in Quebec

658

TOTAL NUMBER OF MEMBERS

1485

INSURED SITES



\$3 G

**PROTECTED AND
INSURED VALUE**
of religious heritage

\$2.3 M

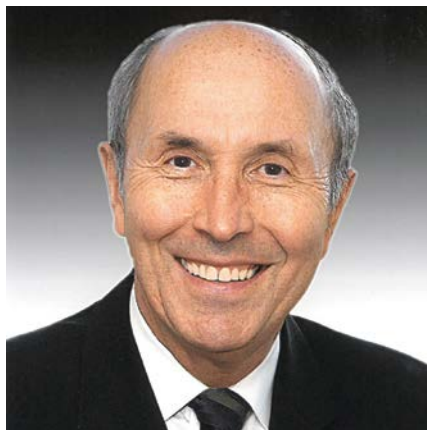
**SUM REDISTRIBUTED
IN 2018**

to members in the form of programs,
grants, and rebates



Approximate values evaluated
December 31, 2018.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear Members,

I am very happy to address you for the first time since I was elected president of the Board of Directors on July 11, 2018. As you know, your Mutuelle's Board of Directors is limited to seven members. It is currently composed of five members, and two positions will be filled at the election on April 30, 2019. We will then find ourselves with a renewed Board of Directors.

Within the first few weeks following the April 24, 2018 General Meeting, the Board of Directors set themselves to the task of resolving the legal dispute between two Board members and the Mutuelle itself. Our actions were fruitful; they permitted us to put an end to the legal proceedings that were under way and ultimately to avoid a trial. In doing so, we were able to re-establish cordial relations within the Board of Directors and redirect our attention to more constructive matters.

Then, in August, we announced the departure of our general manager, Mr. Sylvain Beaulieu, who was replaced by Mr. Jean Précourt, FCPA, FCGA, serving as interim general manager. A recruitment mandate is currently under way and all our efforts are being deployed to recruit the best possible candidate, whom we expect to be able to present to you at our General Meeting on April 30, 2019.

The team in place, the one that offers you programs, services and support on a daily basis, has not changed and it continues to work in your best interests. As for us, your Board members, we are currently working on becoming better acquainted with the Mutuelle's key issues and with its current and future challenges. This enables us to make informed decisions and to ensure the sustainability of your Mutuelle.

Bill 141

On June 13, 2019, the new law for insurers will take effect. This law sets new regulations that are applicable to the Mutuelle, which will be presented to you during the General Meeting.

The Autorité des marchés financiers' Surveillance Report

The Autorité des marchés financiers completed its surveillance report at the end of February 2018, and we received it on May 1, 2018. This report mainly addressed the following points:

- Our various governance policies;
- Our integrated risk management;
- The role and responsibility of the Board of Directors and the committees;
- Our operating expenses.

The observations and recommendations resulting from the Autorité des marchés financiers' surveillance mandate required an immediate response from the members of the Mutuelle's Board of Directors. We were required to present a timetable for the implementation of their recommendations, which has been done.

Financial Aspects

The Mutuelle's financial results for the fiscal period ending December 31, 2018, show an excess of revenues over expenses before other items of \$124,922 compared to a shortfall of revenues over expenses before other items, in 2017 equalling \$1,778,004. As such, before other items an equilibrium has been attained for the first time since 2007 (excluding the exceptional gains from sales of investments in 2014) and for that we are quite proud.

The other items related to the costs resulting from the litigations represent a sum of \$862,778 in 2018 and \$210,039 in 2017, while the gain in 2017 resulting from the combination with AMIO equals \$4,238,581. Therefore, the results show an excess (shortfall) of revenues over expenses equaling (\$737,856) in 2018 and \$2,250,538 in 2017. As a result of the weakness of the financial markets, the change in comprehensive income that occurred during the 2018 fiscal year on available-for-sale investments diminished by \$1,627,868 in 2018, compared to \$299,931 in 2017.

Despite the fluctuation of the financial markets, the Board of Directors chose to maintain attribution payments at a level comparable to years when investments yielded a higher rate of returns. It goes without saying that if this situation were to persist, it could become necessary to adjust the level of attribution or the provision of value-added services.

The various initiatives that have been taken allow us to remain optimistic about the future. We therefore distributed \$2,347,431 to our members this year in the form of attribution, subsidies and programs. Of this amount, attribution payments represent \$1,688,440.

With respect to insurance activities, the gross earned premiums increased by \$194,735, or 2%, compared to 2017, mainly due to the indexation of insured values. The portion ceded to reinsurers has decreased by \$2,345,656, or 43%, compared to 2017, due to a significant change in the reinsurance structure as of January 1, 2018 (the Mutuelle modified its proportional reinsurance program to adopt an excess loss program). This significant decrease of reinsurance premiums largely contributed to the increase in net earned premiums of \$2,540,391 compared to 2017. The surplus from insurance activities has also improved by \$2,417,536, mainly due to the change in the reinsurance structure and the low rate of claims in 2018.

Gross claims amounted to \$612,557 in 2018, compared to \$1,772,872 in 2017. The evolution of certain files from previous years required that revisions be made to reduce reserves during the year, and claims were low in 2018. Claims made in 2018 were significantly lower than the average for the last 10 years, which is about two million dollars.

Strongly capitalized, the Mutuelle remains a solid financial institution despite the closure of some religious buildings belonging to fabriques and the difficulties those members are facing. The Mutuelle is also recognized by its financial partners as being a prudent and trendsetting organization when it comes to managing risks and guiding its members.

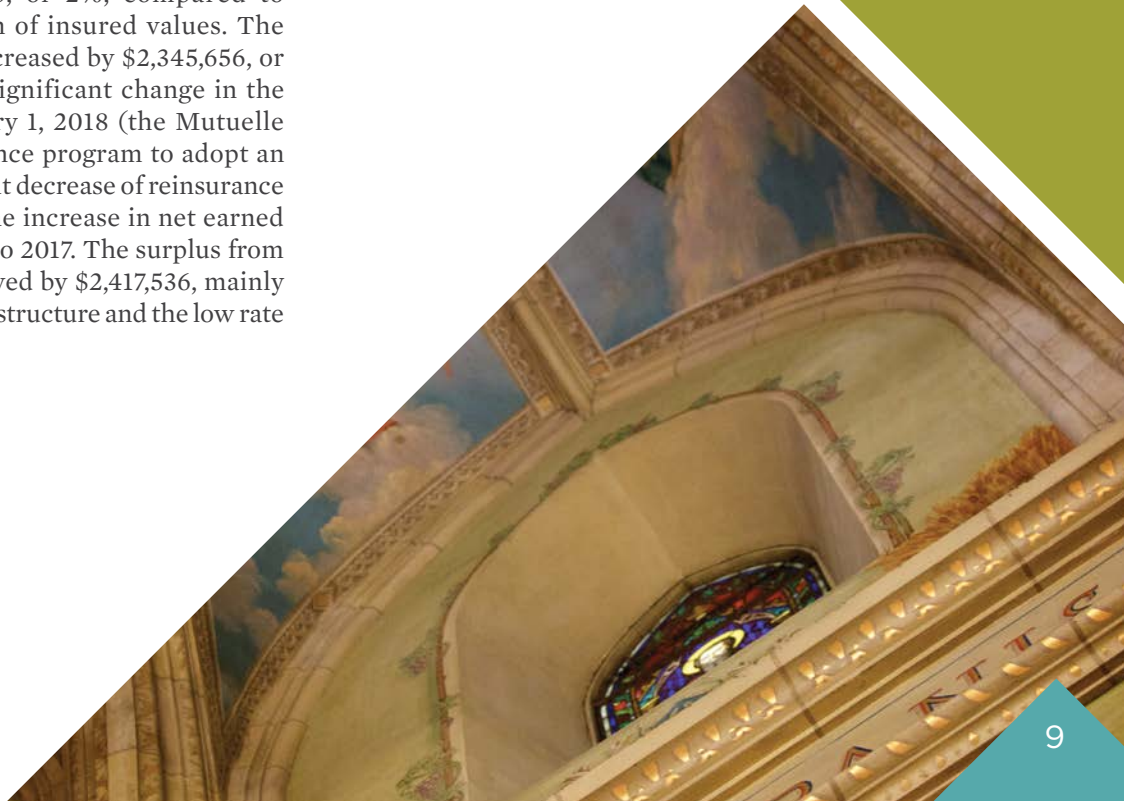
Other Elements

Let us remember that the context in which the Mutuelle d'assurance en Église is evolving is one of cooperation and equality between its members in regard to property and civil liability insurance.

In closing, I would like to thank Mr. Robert Tassé and Ms. Chantale Foisy, who left in 2018 after several years of service to the Mutuelle. I would also like to thank all of our devoted employees and the members of the Board of Directors for their involvement. Last but not least, I join the Board of Directors in thanking you, dear members, for the trust that you have placed in your Mutuelle.

Cordially,

GABRIEL GROULX, FCPA, FCA, ASC
Chairman of the Board of Directors
of the Mutuelle d'assurance en Église



2018

REVIEW OF ACTIVITIES



NEW WEBSITE

In March 2018, the Mutuelle announced the launch of its new website which is full of information of all kinds. Information on insurance, claims, prevention, assistance programs and training is now readily available, along with various communication tools, forms and lease models.

APPROVED EXTRANET PROJECT

In order to promote communication with its members, modernize its service to members, reduce operating costs and facilitate the organization of annual elections, the Mutuelle took some steps to determine what would be the best tool to meet its needs. Research led to the conclusion that an Extranet accessible from the website to all members with a personalized password would best meet all the functions listed above. A budget was approved for its development in 2019.

ANNUAL AND EXTRAORDINARY GENERAL MEETINGS APRIL 24, 2018

The DoubleTree by Hilton hotel hosted our annual and extraordinary general meetings this year. Over 215 participants gathered, including 144 representatives (proxy holders) representing 274 organizations. For the occasion, two distinguished guests, Mr. Lucien Bouchard and Mr. Claude Béland, came to present the Morrissey Committee's report and to talk to us about mutualism. Furthermore, three new directors from the Montreal and Sherbrooke dioceses were elected by secret ballot.



TRAINING SESSIONS

This year, the Centre d'entraide et de prévention (CEP) has again visited members several times and in various locations to present various training sessions, including the one on Legal Fundraising Campaigns.

The CEP has also set up a new training session on preventing water damages, which will be offered in 2019. This session is added to nine other training and information sessions already available for free.



SÉCURimmeuble PROGRAM

The pilot project of the SÉCURimmeuble program was interrupted for an indefinite period in a context of reassessment of budgetary priorities and in all respect for the concerns expressed by the members at the April 2018 meeting.

The SÉCURimmeuble pilot project, while appreciated and responsive to a growing need among our members, has grown beyond what was originally planned. The steps taken in 2017 were conclusive on its usefulness, but they also demonstrated that to make a complete evaluation and to submit a detailed report to participating parishes, it must mobilize additional resources not currently available at the Mutuelle.



SÉCURalarme PROGRAM

The SÉCURalarme program was once again quite active in 2018. An increase in the demand for technical support was noted due to the complexity of the new fire alarm systems and sprinklers. Therefore, more questions were asked about their functioning and the regulations surrounding them.

The SÉCURalarme program is an optional aid program available to members who want to maintain their fire detection systems (FDS) and sprinklers in good condition. Managed by the Centre d'entraide et de prévention (CEP), the program helps its members financially and offers more technical support, particularly in the area of fire protection.

MORRISEY COMMITTEE'S REPORT

On behalf of the Morrisey Committee, Mr. Lucien Bouchard presented a report on the subject of multiple proxies at the AGM-AEM on April 24, 2018. This report proposed the implementation of the concept of "one person / one vote", an approach that echoed Bill 141, finally adopted in June 2018 by the Quebec government, which forbids a proxy holder to represent more than one person in a meeting of the members of a mutual society.

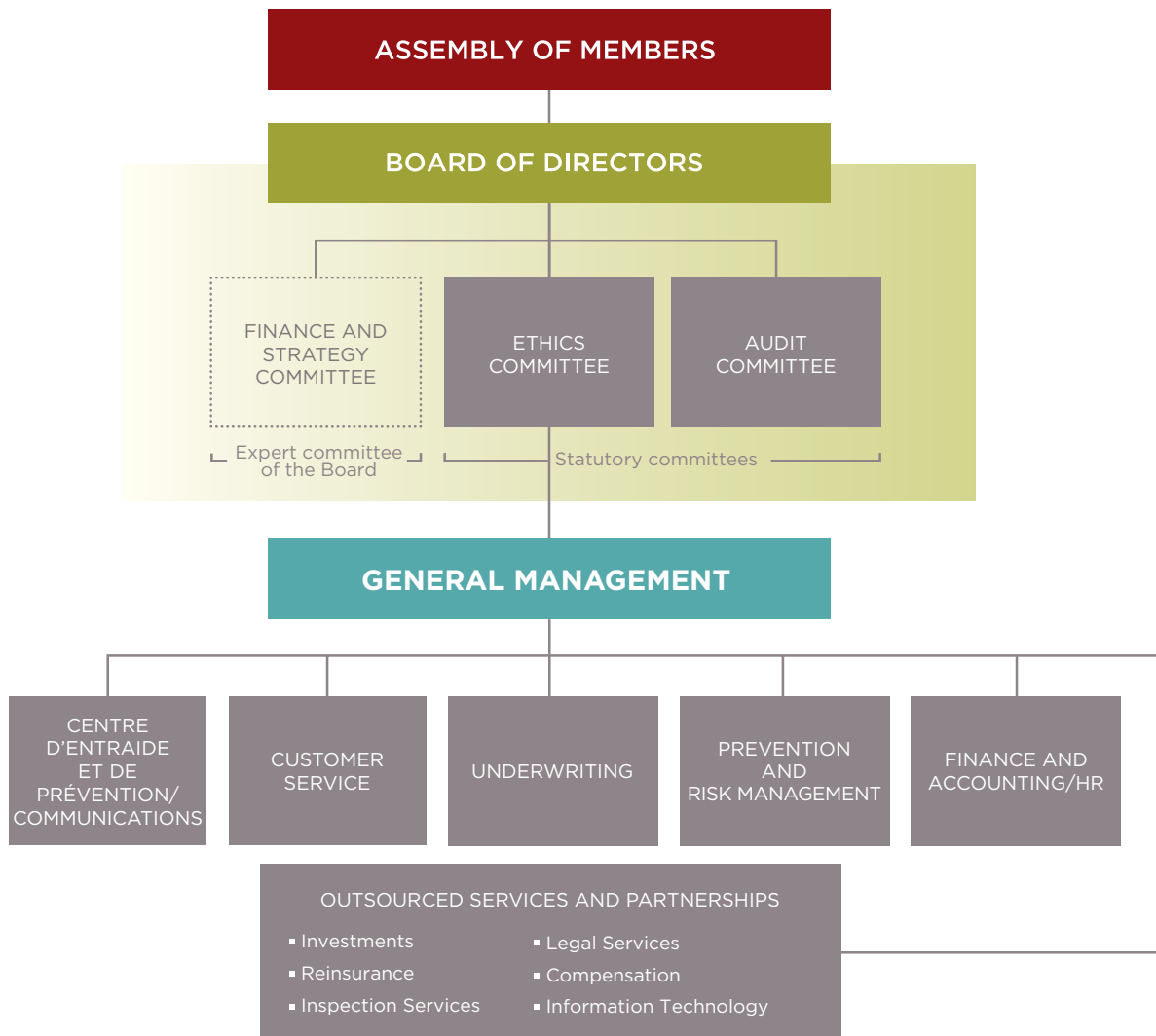
With the adoption of Bill 141, the Mutuelle must amend its *By-Laws* at its AGM-AEM on April 30, 2019 to reduce the maximum number of proxy per holder going from five (5) to one (1).





As a regulated financial institution, the Mutuelle d'assurance en Église must ensure compliance with all applicable laws in addition to safeguarding the interests of both members and the general public. Accordingly, the Board of Directors has drafted a corporate governance program which draws inspiration from the best industry practices but which has been adapted to make proper allowance for the size and mutualistic nature of the Mutuelle.

ORGANIZATIONAL CHART



2018

MEMBERS OF THE BOARD OF DIRECTORS

GABRIEL GROULX, FCPA, FCA, ASC

Chairman

Mandate began April 2018 - Chairman since July 2018

ROBERT TASSÉ, CPA, CGA

Chairman

Resigned June 2018

MAURICE LALONDE

Vice-Chairman and Secretary

Mandate began April 2018 - Officer since July 2018

SYLVAIN R. BEAULIEU, C.ADM.

Secretary and General Manager

Non-member of the Board – Departure in August 2018

GILLES GAUDET

1st Vice-Chairman

Mandate ended April 2018

CHANTALE FOISY

2nd Vice-Chairman

Resigned July 2018

FERDINAND ALFIERI, CPA, CA

Mandate began April 2017

CLÉMENT BEAUCHEMIN

Mandate ended April 2018

ANDRÉ BOUCHARD

Mandate ended April 2018

ALFONSO GRACEFFA

Mandate began April 2017

MICHEL LAMONTAGNE, ASC

Mandate began April 2018

SERGE LÉONARD

Mandate ended April 2018

MONSIGNOR JEAN-JACQUES MARTIN

Mandate ended April 2018

ROBERT RACICOT

Mandate ended April 2018

2018

MEMBERS OF THE COMMITTEES

EXECUTIVE COMMITTEE

ABOLISHED IN APRIL 2018

ROBERT TASSÉ, CPA, CGA

Chairman

Resigned June 2018

GILLES GAUDET

1st Vice-Chairman

Mandate ended April 2018

CHANTALE FOISY

2nd Vice-Chairman

Resigned July 2018

AUDIT COMMITTEE

MICHEL LAMONTAGNE, ASC

Acting Chairman

Since July 2018

ROBERT RACICOT

Chairman

Mandate ended April 2018

ALFONSO GRACEFFA

Since July 2018

MONSIGNOR

JEAN-JACQUES MARTIN

Mandate ended April 2018

SERGE LÉONARD

Mandate ended April 2018

ETHICS COMMITTEE

MAURICE LALONDE

Chairman

Since July 2018

CHANTALE FOISY

Chairman

Resigned July 2018

FERDINAND ALFIERI, CPA, CA

Since July 2018

MICHEL LAMONTAGNE, ASC

Since July 2018

CLÉMENT BEAUCHEMIN

Mandate ended April 2018

ANDRÉ BOUCHARD

Mandate ended April 2018

FINANCE AND STRATEGY COMMITTEE

CREATED IN SEPTEMBER 2018

FERDINAND ALFIERI, CPA, CA

Chairman

GABRIEL GROULX, FCPA, FCA, ASC

MEMBERS WHO ARE NOT ON A COMMITTEE

GABRIEL GROULX, FCPA, FCA, ASC

From April to September 2018

ROBERT TASSÉ, CPA, CGA

From May to June 2018

FERDINAND ALFIERI, CPA, CA

From January to July 2018

ALFONSO GRACEFFA

From January to July 2018

MAURICE LALONDE

From April to July 2018

MICHEL LAMONTAGNE, ASC

From April to July 2018



BOARD OF DIRECTORS AND COMMITTEES



MANDATE OF THE **BOARD OF DIRECTORS**

As the body responsible for the Mutuelle, the Board of Directors oversees the manner in which business is conducted and supervises the managers invested with the responsibility for day-to-day operations. The Board of Directors approves the Mutuelle's strategic policy, including the company's mission, vision and values, and is further responsible for examining the risks identified by management, as well as the policies, procedures and programs adopted by the Mutuelle to reduce these risks.

MANDATE OF THE **CHAIRMAN**

The Chairman leads and presides over members' meetings and the meetings of the Board of Directors. He serves as spokesperson for the Board of Directors with management and with third parties. He executes those mandates entrusted to him by the Board of Directors.

COMMITTEES OF THE **BOARD OF DIRECTORS**

The committees of the Board of Directors enable the directors to allocate the requisite resources to the study of specific items of business. By law, the Board of Directors is required to create both an Audit Committee and an Ethics Committee.

AUDIT COMMITTEE

In the exercise of their responsibilities, the Audit Committee is empowered to examine the Mutuelle's books, records and accounts, and to rule on the effectiveness of internal controls and compliance with accounting standards so that the financial statements present a true picture of the financial situation and business risks of the Mutuelle. It is this committee that recommends to the Board of Directors the adoption of the audited financial statements.

ETHICS COMMITTEE

The Ethics Committee must ensure that appropriate rules be drawn up to guarantee compliance with applicable provisions of the law concerning insider trading and conflicts of interest. The committee is obliged by law to investigate any complaint in this regard and to submit an annual report on its activities directly to the Autorité des marchés financiers. Within the scope of its enlarged mandate, this committee is further responsible for examining all questions of an ethical, compliance and governance nature and for making appropriate recommendations to the Board of Directors.

FINANCE AND STRATEGY COMMITTEE

The Finance and Strategy Committee reviews matters affecting the Mutuelle's financial and operational structure and strategic direction and makes recommendations to the Board of Directors. The Committee is composed of at least two directors.



MESSAGES FROM THE COMMITTEE'S CHAIRMEN

ETHICS COMMITTEE

Chairman – Maurice Lalonde, Lawyer

On July 11, 2018, the members of the Board of Directors entrusted me with the responsibility and position of vice-chairman and secretary of the Mutuelle, as well as the chairmanship of the ethics committee. I accepted these additional responsibilities and devoted myself to them with all of my knowledge, skills and, of course, the availability required by the various files and their priorities. Indeed, multiple tasks were entrusted to the ethics committee, including those arising from the AMF's report in February 2018 and the preparation of various steps and documents required for today's general meeting.

The AMF's report required that the Mutuelle's policies be reviewed. Several of those policies were therefore assigned to the ethics committee, relating to aspects of governance or ethics. These policies had to be reviewed in accordance with deadlines agreed to with the AMF. It is with pride, and thanks to the dedication of the committee members, that each of the deadlines were respected (except for the revision of one policy). I am therefore confident that the remaining policies will be reviewed before the stipulated deadlines.

As for the responsibilities of vice-chairman and secretary, the various files that the Mutuelle addressed over the past year were always treated in the best interests of the members, and above all with the purpose of re-establishing peace and harmony between the members, the management and the Board of Directors, looking towards the future instead of lingering over and questioning the past.

I therefore finish this year with satisfaction, despite the fact that several elements still need to be resolved. Reaching new heights, progressing forward, and forever seeking to better respond to the members' needs will always be motivating factors for the members of your Board of Directors and the ethics committee.

AUDIT COMMITTEE

Interim Chairman – Michel Lamontagne, ASC

The Audit Committee met on August 7, 2018 (trimester ending June 30) and November 12, 2018 (trimester ending September 30), proceeded by way of signed resolution on November 29, 2018, and made its recommendations to the Board of Directors as required by its mandate and by established practices.

The committee operated with an annual work plan, which was brought to the attention of the Board of Directors in August 2018. In the course of its duties, the committee can examine the Mutuelle's books, records and accounts and must adjudicate on the efficacy of internal controls and on compliance with accounting standards in order to ensure that the financial statements present an accurate picture of the Mutuelle's financial situation and business risks. The committee reviewed a number of policies and recommended their adoption by the Board of Directors. The committee studied, consulted and recommended that the Board of Directors adopt the audited financial statements for the financial period ending December 31, 2018. They also consulted and made a recommendation on the choice of auditors for 2019.

FINANCE AND STRATEGY COMMITTEE

Chairman – Ferdinand Alfieri, CPA, CA

In September 2018, the Board of Directors established the Finance and Strategy Committee. This Committee has held two meetings since its creation. Its mission is to advise and make recommendations to the Board of Directors ("BOD") in order to determine the economy, efficiency and effectiveness of the operations of the company (the "Mutuelle") and the use of resources in order to better respond to the needs of the members. The Committee must examine and make recommendations to the BOD regarding questions that have an impact on the Mutuelle's financial and operational structure and strategic orientation.

The scope of the Committee's mandate is intrinsically broad and deep, integrating financial analyses, the company's conformance, operational assessment procedures, management review and the evaluation of the evolving needs of the members.

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018



**MUTUELLE
D'ASSURANCE
EN ÉGLISE**

CABINET EN ASSURANCE DE DOMMAGES

INDEPENDENT AUDITOR'S REPORT

To the Members of
Compagnie mutuelle d'assurance en Église,

Opinion

We have audited the financial statements of **COMPAGNIE MUTUELLE D'ASSURANCE EN ÉGLISE** (La Mutuelle), which comprise the statement of financial position as at December 31, 2018, and the statements of income, comprehensive income, change in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of La Mutuelle as at December 31, 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of La Mutuelle in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing La Mutuelle's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate La Mutuelle or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing La Mutuelle's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 La Mutuelle's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on La Mutuelle's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause La Mutuelle to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

 ¹

Mallette L.L.P.
Partnership of chartered professional accountants

Québec, Canada
February 21, 2019

¹ CPA auditor, CA, public accountancy permit No. A119429

Expression of Opinion

I have valued the policy liabilities and reinsurance recoverables of Compagnie mutuelle d'assurance en Église for its statement of financial position at 31 December, 2018 and their changes in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada including selection of appropriate assumptions and methods.


I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the insurer's financial records.

The results of my valuation together with amounts carried in the Annual Return are the following:

Claim Liabilities	Carried in Annual Return (\$'000)	Appointed Actuary's Estimate (\$'000)
(1) Direct unpaid claims and adjustment expenses	5 148	5 148
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	5 148	5 148
(4) Amounts recoverable from reinsurers	3 934	3 934
(5) Other recoverables on unpaid claims	0	0
(6) Other net liabilities	0	0
(7) Net unpaid claims and adjustment expenses (3)-(4)-(5)+(6)	1 215	1 215

Premium Liabilities	Carried in Annual Return (col. 1) (\$'000)	Appointed Actuary's Estimate (col. 2) (\$'000)
(1) Gross unearned premium liabilities		885
(2) Net unearned premium liabilities		1 354
(3) Gross unearned premiums	1 994	
(4) Net unearned premiums	1 993	
(5) Premium deficiency	0	0
(6) Other net liabilities	0	0
(7) Deferred policy acquisition expenses	0	
(8) Maximum policy acquisition expenses deferrable [(4)+(5)+(9)] _{Col. 1} - (2) _{Col. 2}		639
(9) Unearned commissions + Ceded Deferred Premium Taxes + Ceded Deferred Insurance Operations Expenses	0	

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Signature 
 Jean-Marc Léveillé
 Fellow, Canadian Institute of Actuaries

Montreal, Quebec
 February 21, 2019

Compagnie mutuelle d'assurance en Église

STATEMENT OF INCOME

For the year ended December 31,

2018

2017

INSURANCE ACTIVITIES

GROSS REVENUE

Gross written premiums	\$	8,119,881	\$	8,035,528
Gross earned premiums	\$	8,063,416	\$	7,868,681
Earned premiums ceded to reinsurers		(3,078,651)		(5,424,307)
Net earned premiums		4,984,765		2,444,374
Reinsurance commissions		-		913,219
		4,984,765		3,357,593

EXPENSES

Claims and adjustment expenses (Note 10)		612,557		1,772,872
Recoveries from reinsurers (Note 10)		(82,706)		(578,623)
Net claims and adjustment expenses		529,851		1,194,249
Administrative expenses (Schedule A)		2,935,711		3,062,210
Governance expenses (Schedule B)		483,170		482,637
		3,948,732		4,739,096

SURPLUS (LOSS) FROM INSURANCE ACTIVITIES		1,036,033		(1,381,503)
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INVESTING ACTIVITIES

Investment income (Note 7)		1,555,334		2,297,079
Management and custodial fees		(119,014)		(124,039)
		1,436,320		2,173,040

SURPLUS OF REVENUES OVER EXPENSES BEFORE ATTRIBUTION AND OTHER ITEMS

		2,472,353		791,537
Attribution to members		1,688,440		1,788,996
Subsidies to members – Biennial Maintenance Program and other		311,016		343,151
<i>Centre d'entraide et de prévention</i> (Schedule C)		347,975		437,394
		2,347,431		2,569,541

EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES BEFORE OTHER ITEMS

	\$	124,922	\$	(1,778,004)
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Compagnie mutuelle d'assurance en Église

STATEMENT OF INCOME (continued)

For the year ended December 31,

2018

2017

EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES
BEFORE OTHER ITEMS

\$ 124,922 \$ (1,778,004)

OTHER ITEMS

Costs resulting from the litigations related to governance settled
during the year (Schedule D)

(862,778) (210,039)

Gain resulting from the combination (Note 2)

- 4,238,581

(862,778) 4,028,542

EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES

\$ (737,856) \$ 2,250,538

Compagnie mutuelle d'assurance en Église

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31,

	2018	2017
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ (737,856)	\$ 2,250,538
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to the statement of income		
Changes in unrealized gains (losses) on available-for-sale investments	(1,256,083)	840,083
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments (Note 7)	(555,115)	(1,164,367)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments (Note 7)	183,330	24,353
Net change that occurred during the year on available-for-sale investments	(1,627,868)	(299,931)
COMPREHENSIVE INCOME	\$ (2,365,724)	\$ 1,950,607

Compagnie mutuelle d'assurance en Église

STATEMENT OF CHANGE IN MEMBERS' EQUITY

For the year ended December 31,

	Available surplus	Reserved surplus	Accumulated other comprehensive income	Total
BALANCE as at December 31, 2016	\$ 18,219,400	\$ 23,795,000	\$ 2,346,462	\$ 44,360,862
Comprehensive income for the year				
Excess of revenues over expenses	2,250,538	-	-	2,250,538
Other comprehensive income				
Changes in unrealized gains on available-for-sale investments	-	-	840,083	840,083
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments	-	-	(1,164,367)	(1,164,367)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments	-	-	24,353	24,353
Transfer to reserved surplus (Note 16)	(2,020,000)	2,020,000	-	-
BALANCE as at December 31, 2017	18,449,938	25,815,000	2,046,531	46,311,469
Comprehensive income for the year				
Shortfall of revenues over expenses	(737,856)	-	-	(737,856)
Other comprehensive income				
Changes in unrealized losses on available-for-sale investments	-	-	(1,256,083)	(1,256,083)
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments	-	-	(555,115)	(555,115)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments	-	-	183,330	183,330
Transfer to reserved surplus (Note 16)	420,000	(420,000)	-	-
BALANCE as at December 31, 2018	\$ 18,132,082	\$ 25,395,000	\$ 418,663	\$ 43,945,745

Compagnie mutuelle d'assurance en Église

STATEMENT OF FINANCIAL POSITION

As at December 31,

2018

2017

ASSETS

Cash	\$ 5,929,136	\$ 3,216,960
Accounts receivable (Note 8)	1,966,027	2,100,815
Prepaid expenses	70,554	68,082
Investments (Note 9)	39,730,224	45,474,286
Reinsurers' share of the provision for unpaid claims and adjustment expenses (Note 10)	3,933,506	4,298,161
Reinsurers' share of unearned premiums (Note 11)	589	1,072,730
Capital assets (Note 12)	44,055	84,854
Intangible assets (Note 13)	124,339	166,026
	\$ 51,798,430	\$ 56,481,914

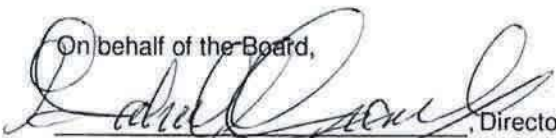
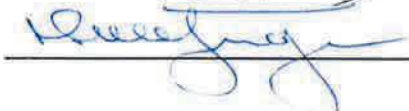
LIABILITIES

Liabilities related to insurance contracts		
Provision for unpaid claims and adjustment expenses (Note 10)	\$ 5,148,415	\$ 5,582,332
Unearned premiums (Note 11)	1,994,400	1,937,935
Unearned reinsurance commissions (Note 15)	-	113,758
	7,142,815	7,634,025
Attribution payable to members	411,527	453,920
Accounts payable		
Reinsurers	-	1,371,398
Other (Note 14)	298,343	711,102
	7,852,685	10,170,445

MEMBERS' EQUITY

Available surplus	18,132,082	18,449,938
Reserved surplus	25,395,000	25,815,000
Accumulated other comprehensive income	418,663	2,046,531
	43,945,745	46,311,469
	\$ 51,798,430	\$ 56,481,914

Commitments (Note 19)

On behalf of the Board,
 Director
 Director

Compagnie mutuelle d'assurance en Église

STATEMENT OF CASH FLOWS

For the year ended December 31,

2018

2017

OPERATING ACTIVITIES

Excess (shortfall) of revenues over expenses	\$ (737,856)	\$ 2,250,538
Non-cash items		
Gains realized on the disposal of available-for-sale investments	(555,115)	(1,164,367)
Impairment losses recognized on available-for-sale investments	183,330	24,353
Gain resulting from the combination (Note 2)	-	(4,238,581)
Amortization of premium on bonds	112,096	163,616
Amortization of capital assets	49,270	54,843
Amortization of intangible assets	64,625	97,610
Changes in non-cash working capital items	(748,648)	403,054

Cash flows related to operating activities	(1,632,298)	(2,408,934)
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INVESTING ACTIVITIES

Cash and cash equivalents received from the combination (Note 2)	-	1,624,986
Acquisition of investments	(9,836,866)	(20,094,633)
Disposal of investments	14,212,749	20,231,373
Capital assets	(8,471)	(29,649)
Intangible assets	(22,938)	(110,925)

Cash flows related to investing activities	4,344,474	1,621,152
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,712,176	(787,782)
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CASH, beginning of year	3,216,960	4,004,742
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CASH, end of year	\$ 5,929,136	\$ 3,216,960
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Cash flows related to operating activities from:

Interest received	\$ 419,015	\$ 521,646
Dividends received	\$ 284,842	\$ 237,530
Income from mutual funds received	\$ 580,237	\$ 599,562

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

1. REPORTING ENTITY

Compagnie mutuelle d'assurance en Église is a mutual insurance company under the Act respecting insurance (Quebec) and a damage insurance firm under the Act respecting the distribution of financial products and services. La Mutuelle is authorized by the Autorité des marchés financiers to underwrite property and liability insurance. La Mutuelle is limited by its by-laws to only offer property and civil liability insurance for buildings and activities of a religious nature. It is exempt from income tax under paragraph 149 (1) (m) of the Income Tax Act.

The primary mission of the *Centre d'entraide et de prévention* (CEP) is to offer additional innovative services aimed at assisting members of La Mutuelle to get various tools in order to identify and mitigate their risks. In addition, the CEP works jointly with La Mutuelle's prevention and claims departments to implement means to raise awareness of loss prevention, and provides all members of La Mutuelle with educational services to improve their risk management.

La Mutuelle is domiciled in Quebec, Canada. La Mutuelle's head office is located at 1071 de la Cathedrale Street, Montreal, Quebec, and the *Centre d'entraide et de prévention* (CEP) is located at 170 George Street, Sorel-Tracy, Quebec.

2. COMBINATION OF ENTITIES

On April 1, 2017, L'Assurance mutuelle des fabriques de Montréal (AMFM) has combined with L'Assurance Mutuelle de l'Inter-Ouest (AMIO), in order to expand its territory. The new entity resulting from the combination operates under the name "Compagnie mutuelle d'assurance en Église". Now, the operational structure of the new entity, its ways, means, business strategies and processes are substantially identical to those that prevailed within AMFM.

Management has accounted for the combination as a business acquisition in accordance with International Financial Reporting Standards, more precisely IFRS 3 – Business Combinations. AMFM was identified as the acquirer since the new Board of Directors is composed of a majority of members appointed by AMFM and that, as a result, AMFM has the ability to direct its activities. In addition, the procedures, policies and executives of the amalgamated entity are those that were in place at AMFM.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

2. COMBINATION OF ENTITIES (continued)

This transaction is summarized as follows:

Acquired assets	
Cash and cash equivalents	\$ 1,624,986
Accrued interest	22,428
Prepaid expenses	132
Investments	3,091,684
Reinsurers' share of the provision for unpaid claims and adjustment expenses	1,078,078
	<hr/> 5,817,308
Assumed liabilities	
Provision for unpaid claims and adjustment expenses	1,164,363
Employee benefits	273,511
Accounts payable	140,853
	<hr/> 1,578,727
Acquired net assets	\$ 4,238,581
Consideration paid	\$ -

Since the amount of the consideration paid is nil, an amount of \$4,238,581 has been recorded in the statement of income under "Other items" for the year 2017.

This transaction does not involve any potential consideration agreement nor indemnification asset.

The combination expenses incurred during the year 2017 amount to \$77,195 and have been recognized as administrative expenses.

3. ROLE OF THE ACTUARY AND INDEPENDENT AUDITOR

The actuary is appointed by the Board of Directors of La Mutuelle. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, for policyholder obligations, the actuary must also provide an opinion on the appropriateness of policy liabilities of La Mutuelle at each financial reporting date. A review regarding the accuracy and completeness of the data used during the evaluation as well as the analysis of La Mutuelle's assets are important elements that are considered when forming the actuary's opinion.

For the purposes of the evaluation, policy liabilities include the provision for unpaid claims and adjustment expenses, unearned premiums, unearned reinsurance commissions, as well as the reinsurers' shares of the provision for unpaid claims and adjustment expenses and unearned premiums.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

3. ROLE OF THE ACTUARY AND INDEPENDENT AUDITOR (continued)

The services of the independent auditor are retained by the members at the annual general meeting. His engagement consists of performing an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and reporting to members with respect to the fair presentation of La Mutuelle's financial statements, in accordance with International Financial Reporting Standards. In conducting the audit, the independent auditor considers the work of the designated actuary and his report on the policy liabilities of La Mutuelle. The independent auditor's report indicates the scope of the audit, as well as his opinion.

4. BASIS OF PREPARATION

Compliance statement

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

La Mutuelle's financial statements were approved by the Board of Directors on February 21, 2019.

Basis of measurement

La Mutuelle's financial statements were prepared on a going concern basis using the historical cost method, except for available-for-sale financial assets, which were valued at fair value.

Functional and presentation currency

The Canadian dollar is La Mutuelle's functional currency, which is the currency of the primary economic environment in which La Mutuelle operates as well as its presentation currency.

Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments and use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from these estimates.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made and in any future periods affected.

Information about critical judgments made in the application of accounting policies that could have the most significant effect on the amounts recognized in the financial statements is disclosed in Note 9 under "Investments" and Note 10 "Provision for unpaid claims and adjustment expenses".

Information about key assumptions relating to the future and estimates that could have the most significant effect on the amounts recognized in the financial statements is disclosed in the following notes:

- Note 2 – Fair value of assets acquired and liabilities assumed in the combination of entities;
- Note 5 – Significant accounting policies – Useful life of capital assets and intangible assets;
- Note 9 – Investments;
- Note 10 – Provision for unpaid claims and adjustment expenses.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been consistently applied to all periods presented in the financial statements.

Classification of insurance contracts

Contracts issued by La Mutuelle are classified as insurance contracts when La Mutuelle accepts a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The insurance risk is significant if an insured event can oblige the insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Contracts that do not meet this definition are classified as investment or service contracts. La Mutuelle classified all its contracts as insurance contracts. Once classified, the contract keeps the same classification until the end of the contract term even if the insurance risk decreases over the period covered.

Revenue recognition

Premiums are earned on a pro rata basis over the term of the insurance policies and are recognized as revenues. Premiums are recognized as premiums receivable and unearned premiums on the effective date of the contract. Premiums receivable are recognized net of provisions for doubtful accounts.

Reinsurance commissions are recognized on the same basis as premiums to which they are related. Additional commissions are recognized when the amount can be measured reliably and when it is probable that the associated economic benefits will go to La Mutuelle.

Income from investments is recognized according to the accrual basis of accounting as follows:

- Interest is recognized based on the number of days the investment is held during the year and is calculated using the effective interest method;
- Amortization of bond discounts and premiums is recognized using the effective interest method;
- Dividends on investments in listed shares are recognized at the ex-dividend date;
- Income from mutual funds is recognized when earned.

Reinsurance

Reinsurance treaties, which transfer a significant insurance risk, fall within the scope of IFRS 4 – Insurance Contracts. Reinsurance contracts are recorded according to the terms of each treaty. Assets related to reinsurance treaties are presented separately from corresponding insurance liabilities. Similarly, revenues and expenses from reinsurance contracts are not offset by the revenues and expenses of the insurance contracts related to them.

Currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the financial reporting date. Revenue and expense transactions denominated in foreign currencies are translated at the rate in effect at the date of the transaction. Exchange gains or losses on financial assets and liabilities are recognized in the statement of income, except for exchange gains or losses on available-for-sale financial assets, which are not monetary items. They are recognized in the changes in unrealized gains and losses on available-for-sale investments under other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Attribution to members

The attribution to members is determined and approved by the Board of Directors before the end of the fiscal year, based on policies in place and La Mutuelle's results, and is paid to members in two annual payments.

Subsidies – Biennial Program

The purpose of La Mutuelle's Biennial Program is to support and facilitate the smooth functioning of fire prevention systems in the buildings of some of the members it insures. The costs of this program are recognized in income when services are incurred.

Centre d'entraide et de prévention

Expenses of the *Centre d'entraide et de prévention* are comprised of salaries and charges related to the *Centre*. These expenses are recognized in profit or loss when incurred.

Financial instruments

Financial assets and liabilities are recognized on the settlement date when La Mutuelle becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs.

Financial assets are derecognized when contractual rights on cash flows related to financial assets expire or when financial assets and all significant risks and benefits are transferred.

A financial liability is derecognized when extinguished, terminated, cancelled or expired.

For the purposes of subsequent measurement, financial instruments are classified in the following categories upon initial recognition:

- Available-for-sale financial assets;
- Loans and receivables;
- Other financial liabilities.

All revenues and expenses relating to financial assets recognized in income are presented in investment income or in management and custodial fees, except for the impairment of accounts receivable, which is presented in administrative expenses.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as being in this category or that do not qualify for classification in any other category of financial assets. Cash and cash equivalents, as well as investments, were designated as being available for sale and measured at fair value.

Except for exchange gains or losses related to monetary items that are recognized in the statement of income, investment-related unrealized gains or losses are recognized in other comprehensive income until the gains or losses are realized or an impairment of the financial asset is recognized. For non-monetary available-for-sale financial assets denominated in foreign currencies, exchange gains and losses are included in unrealized gains or losses recognized in other comprehensive income.

When an investment is disposed of or impaired, the gain or loss on disposal, or impairment recognized in other comprehensive income is reclassified under "Investment income".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Premiums receivable from policyholders, claims refund receivable, as well as interest and dividends receivable, amounts receivable from reinsurers and insurers and other receivables are classified as loans and receivables and initially recognized at fair value, and are subsequently measured at amortized cost according to the effective interest method, including any impairment. Interest payable is recognized in profit or loss.

Other financial liabilities

Accounts payable and the attribution to members are classified as other financial liabilities and initially recognized at fair value, then subsequently at amortized cost according to the effective interest method.

Fair value

The fair value of a financial instrument generally corresponds to the consideration for which the instrument could be exchanged between knowledgeable, willing parties dealing at arm's length.

The best evidence of fair value is published price quotations in an active market. The fair value of bonds, shares and mutual funds is based on their closing price at year-end. When the market for a financial instrument is not active, fair value is established using a valuation technique and, as much as possible, data from observable markets.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are subject to an impairment test at the end of each financial reporting period. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events after initial recognition of a financial asset and that event has an impact on the estimated future cash flows of the financial asset. The amount of the loss is equal to the difference between the acquisition cost and the current fair value less any impairment to the financial asset previously recognized in net income.

With the exception of available-for-sale equity instruments, if the impairment amount decreases in a subsequent year, and if the decline in value can be objectively tied to an event subsequent to recognition of the impairment, the impairment previously recognized is reversed in net income to the extent that the carrying amount of the investment on the impairment reversal date is not greater than the amortized cost that would have been obtained if the impairment had not been recognized.

When there is evidence of impairment of one or more available-for-sale financial assets, the cumulative loss, recognized in other comprehensive income, must be reclassified in net income. With respect to available-for-sale equity instruments, impairment losses previously recognized in net income are not reversed in net income, but instead directly in the accumulated other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash, treasury bills, commercial paper and discounted notes with a maturity of three months or less at acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of change in value.

Reinsurance assets

Reinsurers' share of the provision for unpaid claims and adjustment expenses

La Mutuelle presents the reinsurers' share of the provision for unpaid claims and adjustment expenses in assets to indicate the size of the credit risk associated with reinsurance. Expected reinsurance recoveries from unpaid claims and adjustment expenses are recognized as assets, based on principles consistent with the methods used by La Mutuelle to determine related liabilities.

Reinsurers' share of unearned premiums

The reinsurers' share of unearned premiums is recognized as an asset based on principles consistent with the method used by La Mutuelle to determine the liabilities related to unearned premiums.

Impairment

Reinsurance assets are tested for impairment on a regular basis and impairment losses are recorded if necessary. If applicable, La Mutuelle gathers objective evidence of the decline in value and recognizes the impairments using the same process adopted for financial instruments which are measured at amortized cost.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets and intangible assets

Capital assets and intangible assets acquired are measured using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, all of which are finite, at the following annual rates:

Leasehold improvements	16.66%
Furniture, office equipment and computer equipment	20%
Microcomputer equipment	33.3%
Software	20%

The amortization method, residual values, and useful lives are reviewed at each year-end and the impact of any change in estimates is accounted for prospectively.

Amortization of capital assets and intangible assets is accounted for in net income under administrative expenses.

Impairment of non-financial assets

The carrying value of capital assets and intangible assets is reviewed at each year-end to determine whether there is an indication that they are impaired. If such an indication exists, the recoverable amount of the assets is estimated.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, management estimates discounted future cash flows that will likely result from the use and eventual disposal of its asset. The impairment loss is the amount by which the carrying amount of a long-term asset exceeds its recoverable amount.

Liabilities related to insurance contracts

Provision for unpaid claims and adjustment expenses

La Mutuelle presents the provision for unpaid claims and adjustment expenses as a liability to indicate the obligations toward policyholders. This provision is an estimate of the total cost of settling all claims that arose prior to the end of the financial reporting period, whether or not declared to La Mutuelle. Since this provision is necessarily based on estimates, the final value may differ from estimates.

Provision for unpaid claims and adjustment expenses is first of all established on a case-by-case basis, as the claims are made. Complementary provisions are established for late reported claims, reported claims for which insufficient provisions have been made, as well as for all future adjustment expenses related to these claims. These estimates are based on historical data and claims trends, and they take into account the settlement patterns observed. When the effect of the time value of money is significant, the provision for unpaid claims and adjustment expenses is discounted by using a rate reflecting the estimated rate of return from the underlying asset markets. Established estimate practices are periodically reviewed and updated, and all adjustments are reflected in the year's results. Consequently, claims and adjustment expenses are deducted from income as incurred.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liabilities related to insurance contracts (continued)

Unearned premiums

Unearned premiums represent the written premiums that relate to the unexpired portion of the policy term at year-end.

Unearned reinsurance commissions

Unearned reinsurance commissions are recognized in liabilities according to principles consistent with the methods used by La Mutuelle to determine unearned premiums.

Liability adequacy test

At the end of each reporting period, La Mutuelle tests the sufficiency of unearned premiums. A liability deficiency would exist if unearned premiums were deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. Potential deficits are fully and immediately recognized in liabilities and net income, by recording an additional expense.

Members' equity

Members' equity of La Mutuelle includes available surplus, reserved surplus and accumulated other comprehensive income.

The available surplus consists of undistributed and non-reserved surplus from the current year and prior years.

The reserved surplus has been established to meet liquidity requirements for solvency purposes, and to cover future investments in targeted programs and capital amounts required for future undeclared claims and adjustment expenses.

Accumulated other comprehensive income primarily consists of unrealized gains from financial instruments classified as available for sale.

6. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New accounting standard applied

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 – Revenue from Contracts with Customers, which aims to replace IAS 18 – Revenue and IAS 11 – Construction Contrats. This new standard establishes how and when revenues are recognized, using a single model, with the exception of leases, financial instruments and insurance policies. The application of this standard had no impact on La Mutuelle's financial statements.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

6. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

New future accounting standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) have published new standards whose application will be mandatory for fiscal years beginning on or after January 1, 2019. Many of these new accounting policies will have no impact on the comprehensive income and statement of financial position of La Mutuelle, so they are not discussed below.

IFRS 16 – Leases

This standard, published in 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases. It provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value. However, lessor accounting remains largely unchanged in regard to IAS 17 – Leases and the distinction between operating and finance leases is retained. This standard will apply to fiscal years beginning on or after January 1, 2019. La Mutuelle has determined that the application of this standard will have no significant impact on its financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB published IFRS 9 – Financial Instruments, which aims to replace IAS 39 – Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, amortization and hedge accounting. The enterprises, whose principal business model is to issue insurance contracts have the option to postpone the entry into force of this standard until 2022. La Mutuelle is eligible for the postponement and intends to postpone the application of the standard. La Mutuelle is currently assessing the impact of this standard on its financial statements.

The following table presents the fair value at the closing date and the amount of change in fair value for the following two groups of financial assets:

	SPPI Cash flows*	Other
Change in fair value	\$ (98,372)	\$ (602,596)
Fair value, end of year	\$ 11,167,507	\$ 28,562,717

* Debt instrument whose cash flows correspond solely to principal and interest repayments.

IFRS 17 – Insurance Contracts

In May 2017, the IASB published the new standard IFRS 17 – Insurance Contracts. This new standard requires that insurance contract liabilities be assessed using a method based on the present value, in addition to proposing a more consistent assessment and disclosure approach for all insurance contracts. The standard establishes a general accounting method and a variable expense method applicable to all insurance and reinsurance contracts. The standard also establishes a simplified accounting method for insurance contracts that meet certain criteria. These requirements are intended to ensure a consistent accounting for insurance contracts based on principles. IFRS 17 replaces IFRS 4 – Insurance Contracts as well as the related interpretations and will be effective for fiscal years beginning on or after January 1, 2022. La Mutuelle is currently assessing the impact of this standard on its financial statements.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

7. INVESTMENT INCOME

	2018	2017
Interest	\$ 423,188	\$ 485,194
Amortization of premium on bonds	(112,096)	(163,616)
Dividends	292,220	235,925
Income from mutual funds	580,237	599,562
Gains realized on the disposal of available-for-sale investments	555,115	1,164,367
Impairment losses recognized on available-for-sale investments	(183,330)	(24,353)
	\$ 1,555,334	\$ 2,297,079

8. ACCOUNTS RECEIVABLE

	2018	2017
Premiums receivable from policyholders	\$ 1,737,661	\$ 1,682,372
Claims refund receivable	-	345,070
Interest and dividends receivable	59,816	48,265
Amounts receivable		
Reinsurers	41,031	-
Insurer	100,263	-
Other	27,256	25,108
	\$ 1,966,027	\$ 2,100,815

La Mutuelle expects to recover all accounts receivable no later than twelve months following the year-end.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

9. INVESTMENTS

	2018		2017	
	Cost	Fair value	Cost	Fair value
Bonds	\$ 11,195,635	\$ 11,167,507	\$ 13,578,213	\$ 13,474,073
Listed shares	9,276,396	9,678,959	7,284,683	9,028,425
Bond mutual funds	16,755,107	16,239,604	20,969,743	20,701,510
Equity mutual funds	2,268,057	2,644,154	1,613,646	2,270,278
	\$ 39,495,195	\$ 39,730,224	\$ 43,446,285	\$ 45,474,286

For bonds, the cost represents the amortized cost and the nominal value is \$10,995,000 (2017 - \$13,066,000).

La Mutuelle examines its portfolio of available-for-sale financial assets quarterly to determine whether impairment must be recognized in net income. In so doing, La Mutuelle must exercise judgment to determine if there is objective evidence of impairment, which includes, among other things, events such as a significant or prolonged decline in the fair value of an equity instrument below its cost. To establish these criteria, La Mutuelle has evaluated historical price fluctuations of securities in its portfolio and the duration of periods when the fair value was lower than the purchase cost.

10. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES

The provision for unpaid claims and adjustment expenses, as well as the related reinsurers' share, are estimates subject to material variations due to events that might ultimately affect claims settlement costs, but which have not and may not occur for some time. The variations may also occur as a result of the receipt of additional information regarding claims, changes in the interpretation of contracts by the courts or significant differences compared to historical trends with respect to the severity or frequency of claims.

Method for determining provisions

Methodologies used to determine the provision for unpaid claims and adjustment expenses are the same as those used in the previous year:

- The development method assumes that known claims are the best indicator of future claims development. This method does not depend on exposure units. It is commonly used, except when only a small portion of ultimate claims has been reported. In such a situation, this method would result in excessive volatility. This method is not used only when very recent claims are reported to the insurer at a rather slow rate.
- The Bornhuetter-Ferguson method assumes that the difference between the observed and expected experience will remain stable and that the future development will not be affected by known claims. Thus undeclared claims depend on exposure units and are combined with declared claims. This method is used when a relatively large number of claims have not yet been declared or when claims are so recent that the information normally used to calculate provisions is not fully available. This method is primarily applied to claims from the most recent years.

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NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

10. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES (continued)

Method for determining provisions (continued)

Claims liabilities include a provision for external claims adjustment expenses. All claims files are entrusted to independent adjusting firms and, consequently, no provision for internal claims adjustment expenses is necessary.

The estimate for the provision for unpaid claims and adjustment expenses is based on various assumptions, including:

- Claims development;
- Discount rate;
- Margin for adverse deviation.

Sensitivity analysis

The analysis below shows the impact on net income and members' equity of possible variations of certain key assumptions (when all other assumptions remain constant).

Sensitivity factors	2018			
	Changes made to assumptions		Increase in the factor	Decrease in the factor
Claims development	10%	\$	(497,578)	\$ 593,586
Discount rate	1%	\$	10,665	\$ (10,963)

Sensitivity factors	2017			
	Changes made to assumptions		Increase in the factor	Decrease in the factor
Claims development	10%	\$	(60,872)	\$ 90,914
Discount rate	1%	\$	14,747	\$ (15,320)

The discount rate used by the actuary was 2.84% (2017 – 2.53%).

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NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

10. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES (continued)

Reconciliation of the provision for unpaid claims and adjustment expenses

The change in the provision for claims recorded in the statement of financial position for the year ended December 31 and its impact on the claims and adjustment expenses for the year were as follows:

	2018			2017		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
BALANCE , beginning of year	\$ 5,582,332	\$ 4,298,161	\$ 1,284,171	\$ 3,767,079	\$ 3,189,743	\$ 577,336
Increase (decrease) in losses and estimated expenses for claims incurred in prior years	(522,054)	75,831	(597,885)	(374,593)	(731,179)	356,586
Losses and expenses incurred in the current year	1,134,611	6,875	1,127,736	2,147,465	1,309,802	837,663
Net claims and adjustment expenses	612,557	82,706	529,851	1,772,872	578,623	1,194,249
Amounts recovered for claims incurred						
Current year	(254,733)	-	(254,733)	(662,542)	(435,773)	(226,769)
Prior years	(791,741)	(447,361)	(344,380)	(459,440)	(112,510)	(346,930)
	(1,046,474)	(447,361)	(599,113)	(1,121,982)	(548,283)	(573,699)
Assets and liabilities acquired in the combination (Note 2)	-	-	-	1,164,363	1,078,078	86,285
BALANCE , end of year	\$ 5,148,415	\$ 3,933,506	\$ 1,214,909	\$ 5,582,332	\$ 4,298,161	\$ 1,284,171

The table below summarizes the provision for unpaid claims and adjustment expenses, as well as the reinsurers' share:

	2018			2017		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
Provision for reported claims	\$ 4,223,669	\$ 3,517,639	\$ 706,030	\$ 4,563,266	\$ 3,654,477	\$ 908,789
Provision for unreported claims						
Provision	667,186	232,485	434,701	751,530	449,254	302,276
Impact of discount	(102,231)	(73,529)	(28,702)	(106,754)	(72,525)	(34,229)
Impact of margins for adverse deviation	359,791	256,911	102,880	374,290	266,955	107,335
	\$ 5,148,415	\$ 3,933,506	\$ 1,214,909	\$ 5,582,332	\$ 4,298,161	\$ 1,284,171

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

10. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES (continued)

Reconciliation of the provision for unpaid claims and adjustment expenses (continued)

The table below shows the provision for unpaid claims and adjustment expenses by business line:

	2018			2017		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
Property	\$ 1,003,628	\$ 284,280	\$ 719,348	\$ 1,296,226	\$ 952,799	\$ 343,427
Liability	4,144,787	3,649,226	495,561	4,286,106	3,345,362	940,744
	\$ 5,148,415	\$ 3,933,506	\$ 1,214,909	\$ 5,582,332	\$ 4,298,161	\$ 1,284,171

11. UNEARNED PREMIUMS

The reconciliation of the provision for unearned premiums is as follows:

	2018			2017		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
BALANCE , beginning of year	\$ 1,937,935	\$ 1,072,730	\$ 865,205	\$ 1,771,088	\$ 987,796	\$ 783,292
Written premiums	8,119,881	2,006,510	6,113,371	8,035,528	5,509,241	2,526,287
Premiums earned during the year	(8,063,416)	(3,078,651)	(4,984,765)	(7,868,681)	(5,424,307)	(2,444,374)
BALANCE , end of year	\$ 1,994,400	\$ 589	\$ 1,993,811	\$ 1,937,935	\$ 1,072,730	\$ 865,205

The liability adequacy tests performed at the end of each financial reporting period did not result in the recognition of any additional liability during the years ended December 31, 2018 and 2017.

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NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

12. CAPITAL ASSETS

	Leasehold improvements	Furniture and office equipment	Computer equipment	Micro- computer equipment	Total
Cost	\$ 429,975	\$ 231,016	\$ 235,338	\$ 320,687	\$ 1,217,016
Accumulated amortization	(344,306)	(219,539)	(235,338)	(307,785)	(1,106,968)
BALANCE as at December 31, 2016	85,669	11,477	-	12,902	110,048
Acquisitions	-	-	-	29,649	29,649
Amortization	(30,918)	(8,913)	-	(15,012)	(54,843)
Total changes	(30,918)	(8,913)	-	14,637	(25,194)
Cost	420,262	149,587	153,240	76,230	799,319
Accumulated amortization	(365,511)	(147,023)	(153,240)	(48,691)	(714,465)
BALANCE as at December 31, 2017	54,751	2,564	-	27,539	84,854
Acquisitions	-	-	-	8,471	8,471
Amortization	(29,216)	(2,000)	-	(18,054)	(49,270)
Total changes	(29,216)	(2,000)	-	(9,583)	(40,799)
Cost	229,890	126,263	-	76,148	432,301
Accumulated amortization	(204,355)	(125,699)	-	(58,192)	(388,246)
BALANCE as at December 31, 2018	\$ 25,535	\$ 564	\$ -	\$ 17,956	\$ 44,055

La Mutuelle wrote off the following capital assets:

	2018		2017	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Leasehold improvements	\$ 190,372	\$ 190,372	\$ 9,713	\$ 9,713
Furniture and office equipment	\$ 23,324	\$ 23,324	\$ 81,429	\$ 81,429
Computer equipment	\$ 153,240	\$ 153,240	\$ 82,098	\$ 82,098
Microcomputer equipment	\$ 8,553	\$ 8,553	\$ 274,106	\$ 274,106

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

13. INTANGIBLE ASSETS

	Internally generated software
Cost	\$ 748,831
Accumulated amortization	(596,120)
BALANCE as at December 31, 2016	152,711
Acquisitions	110,925
Amortization	(97,610)
Total changes	13,315
Cost	669,083
Accumulated amortization	(503,057)
BALANCE as at December 31, 2017	166,026
Acquisitions	22,938
Amortization	(64,625)
Total changes	(41,687)
Cost	575,620
Accumulated amortization	(451,281)
BALANCE as at December 31, 2018	\$ 124,339

During the year, La Mutuelle wrote off software for which the cost and accumulated amortization were of \$116,401 (2017 – \$190,673).

14. ACCOUNTS PAYABLE

	2018	2017
Suppliers and accrued liabilities	\$ 139,572	\$ 290,819
Accrued salaries and vacations	158,771	420,283
	\$ 298,343	\$ 711,102

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

15. UNEARNED REINSURANCE COMMISSIONS

The reconciliation of unearned reinsurance commissions is as follows:

	2018	2017
BALANCE , beginning of year	\$ 113,758	\$ 109,583
Commissions cancelled	(113,758)	-
Reinsurance commissions on premiums ceded during the year	-	464,387
Reinsurance commissions earned	-	(460,212)
BALANCE , end of year	\$ -	\$ 113,758

16. CAPITAL MANAGEMENT

La Mutuelle defines its capital as members' equity. As at December 31, 2018, members' equity amounted to \$43,945,745 and to \$46,311,469 as at December 31, 2017. The capital management objective of La Mutuelle is to maintain sufficient capital to ensure business continuity and maintain the confidence of reinsurers, the Autorité des marchés financiers (AMF) and its members. La Mutuelle's statutes do not allow the raising of capital other than by collecting contributions from its members.

The actuary, appointed by the Board of Directors in accordance with the Act respecting insurance (Quebec), prepares an annual assessment of the financial position of La Mutuelle. As part of the assessment, the actuary performs dynamic capital adequacy testing (DCAT) of which one objective is to verify the capital adequacy of La Mutuelle despite plausible unfavourable events. These documents are submitted and presented to the Board of Directors.

La Mutuelle is subject to the requirements of the AMF, which has issued a directive regarding a minimum capital test (MCT) of 150%. La Mutuelle's management has set as an internal target, a required minimum capital ratio of 500%. As a result, an amount of \$25,395,000 was reserved for members' equity. To set the internal target, La Mutuelle assessed the impact of moderately adverse scenarios with a 10% probability of occurrence.

Throughout the year, La Mutuelle complied with AMF requirements and the target set by the Board of Directors. At year-end, the situation was presented as follows:

	2018	2017
Available capital	\$ 43,821,000	\$ 46,139,000
Minimum capital required	5,079,000	5,163,000
Excess capital available over minimum capital required	\$ 38,742,000	\$ 40,976,000

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT

Objectives and policies for the management of insurance and financial risks

La Mutuelle is exposed to various risks that result from both its insurance and investing activities. Risks are managed by La Mutuelle's Board of Directors whose mission is to identify La Mutuelle's main risks and implement relevant policies and procedures to take a proactive and integrated approach to risk management.

With respect to financial management, an investment policy was developed and is updated on a regular basis. The purpose of the policy is to provide a decision-making framework for investment manager. La Mutuelle does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes. The control procedures in the policy ensure sound management of investment-related risks.

Insurance risk

The most significant risks that La Mutuelle must manage with respect to insurance contracts are as follows:

Underwriting risk

Underwriting risk is the exposure to financial loss resulting from the selection and approval of risks to be insured, as well as the reduction, retention and transfer of risks. This risk is significant due to the magnitude of the risks covered in relation the volume of annual premiums.

Insurance policies are written in accordance with management practices and applicable regulations, taking into account La Mutuelle's risk tolerance and underwriting standards, which are endorsed by its reinsurers.

Given the major changes in the policyholder market, such as the certain diminishment of the number of buildings, the reduction of resources available to manage and maintain them, and the fact that La Mutuelle cannot significantly increase members' premiums, the management undertakes a yearly planning and risk management exercise aimed at personalizing and optimizing its offer. This will mean, notably, the establishment of underwriting policies and service programs presenting an added value for the members while improving the risk profile of the policy portfolio.

La Mutuelle has also continued the exercise undertaken in 2013, a five-year plan, to review all insured files. The five-year plan's deployment was extended following the merger and should be completed in 2019.

Under its new integrated risk management process, La Mutuelle reviews its portfolio risk profile annually in order to validate the adequacy of its underwriting policies. To date, more than 85% (2017 – 68%) of client files have been reviewed based on the new standards which may be, in certain cases, implemented gradually.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Extreme claims risk

Extreme claims risks can be divided between very high intensity claims pertaining to one contract and one policyholder in contrast with low intensity claims that affect a large number of contracts and policyholders.

La Mutuelle uses reinsurance to reduce the loss that is likely to incur following events that give rise to claims. In addition, it protects itself from extreme claims risk by entering into several non-proportional per event reinsurance treaties.

La Mutuelle has entered into several reinsurance treaties whereby it cedes a premium to registered reinsurers in exchange for covering a portion of the claims.

The main characteristic of reinsurance treaties is to limit the maximum loss for La Mutuelle to \$500,000 per event.

In addition, La Mutuelle purchases a comprehensive catastrophe reinsurance of \$35,000,000 in property insurance and \$10,000,000 in liability insurance to protect up to its total maximum losses.

Reinsurance risk

Reinsurance risk can arise either from the failure of a reinsurer to meet its commitments or from changes in prevailing market conditions, which could result in reinsurance no longer being available, contract terms no longer being sufficient, or reinsurance rates increasing substantially.

The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect La Mutuelle's ceded volume and profitability. Reinsurance companies exclude some types of coverage from the contracts La Mutuelle purchases from them or may alter the terms of such contracts from time to time. These gaps in reinsurance protection expose La Mutuelle to greater risk and greater potential loss and could adversely affect its ability to underwrite future business. When La Mutuelle cannot successfully mitigate risk through reinsurance arrangements, consideration is given to reducing protections offered in order to lower its risk.

Given the low ratio between the volume of premiums and the magnitude of certain risks, La Mutuelle is highly dependent economically on its reinsurers and therefore, must maintain their interest to renew their treaties annually.

To La Mutuelle, maintaining effective underwriting and prevention practices, particularly for high-value risks, and evaluating the underwriting risks undertaken by the five-year plan are essentials to preserving a long-term relationship of trust with reinsurers.

All treaties expiring on December 31, 2018 have been renewed for a period of one year.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Regulatory and governance risk

Since a legal or regulatory change can directly influence the profitability of an economic activity, La Mutuelle has developed a legal environment compliance program with a legal firm to protect itself from this risk.

In addition, La Mutuelle works closely with regulatory authorities and stays abreast of legal and regulatory changes to evaluate their impact on its capacity to meet solvency requirements and other obligations.

The quality of governance is a crucial factor for entities operating in the field of insurance. Consequently, it is essential that the directors adhere to the values and objectives of La Mutuelle. One of the roles of the ethics committee is to ensure compliance with the policies and procedures put in place by La Mutuelle in terms of governance. To do this, the ethics committee has a well-established framework and can use the services of a third party to support it and thus preserve the reputational risk.

Concentration risk

Over 85% (2017 – 80%) of gross premiums written by La Mutuelle are based on the property insurance line of business. These risks are geographically distributed on a relatively even basis, except for urban areas, primarily Montréal. However, the main concentration risk lies in the very nature of La Mutuelle's market. As it is limited by its by-laws requiring that it only offers property and civil liability insurance for buildings and activities of a religious nature.

According to the clauses of the contracts in effect, La Mutuelle's responsibility towards its members is limited to \$100,000,000 per claim of any kind. This limitation complies with the by-laws adopted by the Board of Directors of La Mutuelle.

As at December 31, 2018

Insurance risk (continued)

Claims development

La Mutuelle is exposed to the risk that the claims provision appearing on the statements of financial position is potentially insufficient. The “Property” provision risk is relatively low, since the estimate is based on the insured amount of the damaged property or on a repair estimate and the settlement period is relatively short. The liability insurance risk is greater. La Mutuelle retains the services of an external actuary to assess this provision.

The claims development tables below show the changes in provisions for unpaid claims and adjustment expenses per accident year. As at December 31, 2018, claims development was as follows:

Gross

[illegible]

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Claims development (continued)

Net

2008 and before	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total									
Estimate of ultimate claims incurred																				
At the end of the year	\$	800,977	\$	353,924	\$	444,524	\$	405,610	\$	1,354,898	\$	570,449	\$	607,791	\$	804,818	\$	1,092,046		
One year later		803,093		369,849		402,127		375,244		1,348,276		501,680		439,590		535,915		-		
Two years later		795,280		362,270		395,425		516,962		1,343,315		907,763		427,024		-		-		
Three years later		769,879		356,976		380,615		419,504		1,351,533		864,912		-		-		-		
Four years later		766,473		357,765		380,707		439,596		1,341,041		265,188		-		-		-		
Five years later		766,473		358,292		380,281		409,695		1,336,347		-		-		-		-		
Six years later		766,473		358,194		380,281		442,717		-		-		-		-		-		
Seven years later		767,000		350,083		380,281		-		-		-		-		-		-		
Eight years later		767,000		349,946		-		-		-		-		-		-		-		
Nine years later		767,000		-		-		-		-		-		-		-		-		
Ultimate claims incurred	\$	9,221		349,946		380,281		442,717		1,336,347		265,188		427,024		535,915		1,092,046	\$	6,470,597
Paid claims	-	(767,000)		(349,946)		(380,281)		(432,291)		(1,336,347)		(265,188)		(420,922)		(425,896)		(254,732)		(5,329,866)
Unpaid claims	\$	9,221	\$	-	\$	-	\$	10,426	\$	-	\$	-	\$	6,102	\$	110,019	\$	837,314		1,140,731
Impact of discounting and margins																				74,178
																			\$	1,214,909

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks

Summary of financial assets and liabilities by class

	2018	2017
Available-for-sale financial assets		
Cash	\$ 5,929,136	\$ 3,216,960
Investments	39,730,224	45,474,286
	\$ 45,659,360	\$ 48,691,246
Loans and receivables		
Premiums receivable from policyholders	\$ 1,737,661	\$ 1,682,372
Claims refund receivable	-	345,070
Interest and dividends receivable	59,816	48,265
Amounts receivable		
Reinsurers	41,031	-
Insurer	100,263	-
Other accounts receivable	27,256	25,108
	\$ 1,966,027	\$ 2,100,815
Other financial liabilities		
Attribution payable to members	\$ 411,527	\$ 453,920
Accounts payable – reinsurers	-	1,371,398
Other accounts payable	298,343	711,102
	\$ 709,870	\$ 2,536,420

The main financial risks to which La Mutuelle is exposed, including its financial risk management policies, are described below.

Credit and counterparty risk

Credit risk is the risk of financial loss if the counterparty to a transaction defaults on its commitments. La Mutuelle is exposed to this type of risk through its cash holdings, premiums receivable from policyholders, claims refund receivable, portfolio investments in bonds and amounts receivable from reinsurers and insurers, if appropriate.

Cash is held with a recognized financial institution with a good credit rating so as to reduce the credit risk associated with this asset.

The premiums receivable from policyholders are generally prepaid and are continuously managed. As a result, La Mutuelle's exposure to doubtful accounts is not significant.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Credit and counterparty risk (continued)

Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liabilities and reinsurance contracts. Although La Mutuelle has entered into reinsurance contracts, it is not released from its direct obligations to its policyholders and hence there is a credit risk in respect of the insurance ceded, to the extent that any reinsurer might be unable to meet its obligations under such reinsurance contracts. Consequently, La Mutuelle diversifies its reinsurance portfolio to avoid dependence on a single reinsurer. In addition, during the selection process, in compliance with its reinsurance policy, La Mutuelle deals with insurers registered in Canada and subjects them to a credit checking procedure. Under the policy, major reinsurers should have a minimum "BBB" financial rating from S&P at the signing of contracts. Since it is generally limited to registered reinsurers, La Mutuelle does not require security from its reinsurers. On each financial information reporting date, La Mutuelle assesses the reinsurers' shares of insurance liabilities and amounts receivable from reinsurers and establishes provisions for reinsurance amounts deemed uncollectible. As at December 31, 2018 and 2017, none of the reinsurers had suffered a deterioration of their financial ratings in comparison to the reinsurance policy criteria. Management considers that as at December 31, 2018 and 2017, La Mutuelle was not exposed to a significant loss with respect to its reinsurers.

Regarding portfolio investments in bonds, criteria regarding the credit rating of issuers and exposure limits by lender, which encourage the diversification of investments in bonds, protect La Mutuelle from the risks that a payment default could have a material impact on income.

	2018	2017
Bonds by credit rating		
AAA/Aaa/A-1	51.86%	40.59%
AA/Aa/A-2	40.44%	43.73%
A/A-3	7.70%	15.68%

The carrying value presented in the statement of financial position of La Mutuelle's financial assets exposed to a credit risk generally reflects the maximum amount of credit risk to which La Mutuelle is exposed.

On each closing date, none of the financial assets exposed to a credit risk are impaired. In addition, La Mutuelle considers that on each closing date, the credit quality of all the above-listed financial assets, which are not impaired or past due, is rated good.

As at December 31, 2018 and 2017, La Mutuelle had no past due financial assets.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk

Liquidity risk is the risk that the necessary funds cannot be made available, in a timely manner and at a reasonable price, to cover La Mutuelle's commitments as they become payable and to support anticipated growth resulting from its strategic planning.

To manage its cash flow requirements, La Mutuelle keeps the necessary financial resources available in accordance with its investment policy and by matching them with its liability commitments. In addition, La Mutuelle keeps a portion of its investments in liquid securities.

The tables below show the cash flow amounts related to insurance contract liabilities and other financial liabilities by maturity grouping, as well as the maturity of assets backing liabilities related to insurance contracts. Bonds are presented according to the maturity of the financial instrument, although they remain available for sale.

	2018			
	Less than one year	One to five years	More than five years	Total
Liabilities				
Provision for unpaid claims and adjustment expenses discounted	\$ 2,827,640	\$ 1,395,515	\$ 925,260	\$ 5,148,415
Attribution payable to members	411,527	-	-	411,527
Accounts payable – reinsurers	-	-	-	-
Other accounts payable	298,343	-	-	298,343
	\$ 3,537,510	\$ 1,395,515	\$ 925,260	\$ 5,858,285
Assets backing liabilities				
Cash	\$ 5,929,136	\$ -	\$ -	\$ 5,929,136
Amounts receivable from reinsurers	41,031	-	-	41,031
Reinsurers' share of the provision for unpaid claims and adjustment expenses	2,128,582	891,618	913,306	3,933,506
Bonds	87,711	6,274,928	4,804,868	11,167,507
	\$ 8,186,460	\$ 7,166,546	\$ 5,718,174	\$ 21,071,180

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk (continued)

	2017			
	Less than one year	One to five years	More than five years	Total
Liabilities				
Provision for unpaid claims and adjustment expenses discounted	\$ 4,077,522	\$ 629,812	\$ 874,998	\$ 5,582,332
Attribution payable to members	453,920	-	-	453,920
Accounts payable – reinsurers	1,371,398	-	-	1,371,398
Other accounts payable	642,352	68,750	-	711,102
	\$ 6,545,192	\$ 698,562	\$ 874,998	\$ 8,118,752
Assets backing liabilities				
Cash	\$ 3,216,960	\$ -	\$ -	\$ 3,216,960
Reinsurers' share of the provision for unpaid claims and adjustment expenses	3,146,925	292,690	858,546	4,298,161
Bonds	1,207,080	6,771,333	5,495,660	13,474,073
	\$ 7,570,965	\$ 7,064,023	\$ 6,354,206	\$ 20,989,194

Market risk

Market risk includes several risk categories. Fluctuations in factors such as exchange rates, interest rates and prices of listed financial instruments influence the fair value of available-for-sale financial assets. The latter are particularly sensitive to fluctuations in bond market interest rates, prices of listed shares and the fair value of listed financial instruments. This risk is managed by separating financial instruments into several categories and by diversifying in various economic segments and geographical areas.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Market risk (continued)

Foreign exchange risk

La Mutuelle is exposed to foreign exchange risk due to listed shares being denominated in US dollars.

	2018		2017	
	Canadian dollars	Percentage of total assets	Canadian dollars	Percentage of total assets
Shares				
US dollars	\$ 2,320,433	4.49%	\$ 2,539,691	4.50%

If the Canadian dollar had strengthened or weakened by 10% against the US dollar, with all other variables held constant, La Mutuelle's total assets and comprehensive income would have been lower or higher by approximately \$232,000 (2017 – approximately \$254,000).

La Mutuelle does not enter into contracts so as to hedge its foreign exchange risk exposure.

Concentration risk

Concentration risk arises when investments are made with a single entity or with multiple entities that share similar characteristics. La Mutuelle manages concentration risk by requiring prudent diversification in the portfolios and by establishing an investment policy that is updated on a regular basis.

Interest rate risk

Bonds and bond mutual funds bear interest at fixed rates, thereby exposing La Mutuelle to a risk of change in fair value due to interest rate fluctuations.

	Interest-bearing instruments	
	2018	2017
Bonds	\$ 11,167,507	\$ 13,474,073
Bond mutual funds	\$ 16,239,604	\$ 20,701,510

If the prevailing interest rate on the market had strengthened or weakened by 1%, with all other variables held constant, La Mutuelle's total assets and comprehensive income would have been lower or higher by approximately \$1,210,000 (2017 – approximately \$1,614,000).

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Market risk (continued)

Price risk

	Fair value		Percentage of total assets	
	2018	2017	2018	2017
Listed shares	\$ 9,678,959	\$ 9,028,425	18.72%	15.98%
Equity mutual funds	\$ 2,644,154	\$ 2,270,278	5.11%	4.02%

If the price of shares and equity mutual funds traded had strengthened or weakened by 10%, with all other variables held constant, La Mutuelle's total assets and comprehensive income would have been higher or lower by approximately \$1,232,000 (2017 – approximately \$1,130,000).

Available-for-sale investments at fair value

The schedule of investments, except for shares and mutual funds with no specific maturities, is distributed as follows:

	2018		2017	
	Amortized cost	Fair value	Amortized cost	Fair value
Bonds				
Canada – Federal government				
Less than one year	\$ -	\$ -	\$ 1,005,889	\$ 1,007,080
One to five years	3,950,189	3,961,215	2,522,985	2,521,203
More than five years	1,784,009	1,743,154	2,005,869	1,940,028
Provincial governments				
Less than one year	88,346	87,711	-	-
One to five years	2,307,510	2,313,713	3,883,445	3,908,453
More than five years	3,065,581	3,061,714	3,620,278	3,555,631
Municipalities and public administrations				
One to five years	-	-	339,747	341,678
Corporates				
Less than one year	-	-	200,000	200,000
	\$ 11,195,635	\$ 11,167,507	\$ 13,578,213	\$ 13,474,073

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

17. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Available-for-sale listed shares at fair value

	2018		2017	
	Cost	Fair value	Cost	Fair value
Canadian				
Telecommunications services	\$ 348,965	\$ 332,478	\$ 251,097	\$ 269,295
Energy	1,800,884	1,552,687	1,368,813	1,456,157
Basic materials	485,511	413,762	564,570	575,927
Industrial products	746,199	879,194	555,029	707,500
Consumer products	816,704	882,059	379,151	459,621
Public services	100,473	118,553	66,020	83,690
Financial services	2,698,677	2,948,609	1,886,439	2,517,927
Information technologies	261,389	231,184	345,464	418,614
	7,258,802	7,358,526	5,416,583	6,488,731
American				
Telecommunications services	-	-	44,231	50,538
Energy	154,628	152,692	170,322	169,884
Basic materials	-	-	26,884	30,799
Industrial products	241,502	274,731	147,119	212,519
Consumer products	394,395	443,368	391,209	486,081
Health care	255,530	295,339	290,896	397,794
Financial services	470,468	511,412	328,368	477,293
Information technologies	501,071	642,891	469,071	714,786
	2,017,594	2,320,433	1,868,100	2,539,694
	\$ 9,276,396	\$ 9,678,959	\$ 7,284,683	\$ 9,028,425

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

18. CLASSIFICATION OF FAIR VALUE MEASUREMENT

To reflect the significance of the inputs used in determining fair value measurement, La Mutuelle uses a fair value hierarchy to classify its financial instruments by category. All financial instruments recognized at fair value in the statement of financial position are classified according to a hierarchy that consists of three levels:

- Level 1: Measurement based on quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Measurement techniques based on prices for similar instruments quoted in active markets, prices for identical or similar instruments quoted in markets that are not active, inputs other than quoted prices used in a measurement model, which are observable for the instrument measured, and inputs that are derived principally from observable data or are corroborated by observable market data by correlation or other means;
- Level 3: Measurement techniques not based on observable market data (i.e. unobservable inputs).

The hierarchy that applies in determining fair value requires the use of observable market data whenever available. A financial instrument is classified at the lowest level of the hierarchy when significant data is taken into account in the fair value measurement.

The following table shows the hierarchy of assets measured at fair value as at December 31, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Cash	\$ 5,929,136	\$ -	\$ -	\$ 5,929,136
Bonds	5,704,369	5,463,138	-	11,167,507
Listed shares	9,678,959	-	-	9,678,959
Bond mutual funds	16,239,604	-	-	16,239,604
Equity mutual funds	2,644,154	-	-	2,644,154
	\$ 40,196,222	\$ 5,463,138	\$ -	\$ 45,659,360

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

18. CLASSIFICATION OF FAIR VALUE MEASUREMENT (continued)

The following table shows the hierarchy of assets measured at fair value as at December 31, 2017:

	2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 3,216,960	\$ -	\$ -	\$ 3,216,960
Bonds	5,468,313	8,005,760	-	13,474,073
Listed shares	9,028,425	-	-	9,028,425
Bond mutual funds	20,701,510	-	-	20,701,510
Equity mutual funds	2,270,278	-	-	2,270,278
	\$ 40,685,486	\$ 8,005,760	\$ -	\$ 48,691,246

La Mutuelle assesses the classification of its financial instruments at each year-end date. During the years ended December 31, 2018 and 2017, no transfer was made between the different levels.

19. COMMITMENTS

La Mutuelle has lease commitments until 2023 for the rental of offices, equipment and services. The balance of commitments subsequent to these leases is established at \$848,998. Minimum payments payable over the next years are as follows:

2019 –	\$ 433,458
2020 –	\$ 341,366
2021 –	\$ 63,739
2022 –	\$ 8,001
2023 –	\$ 2,434

20. KEY MANAGEMENT PERSONNEL

Key management personnel includes directors (whether executives or otherwise) as well as members of the management committee. The compensation of key management personnel is as follows:

	2018	2017
Short-term benefits	\$ 1,025,835	\$ 1,121,181
Severance pay	341,139	-
	\$ 1,366,974	\$ 1,121,181

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2018

21. COMPARATIVE FIGURES

Certain comparative figures of the previous year have been reclassified to conform to the presentation used in the current year. In that respect, a part of the expenses included in the governance expenses of the previous year, in the amount of \$210,039, was transferred to “Costs resulting from the litigations related to governance settled during the year”.

Compagnie mutuelle d'assurance en Église

SCHEDULES

For the year ended December 31,

2018

2017

A - ADMINISTRATIVE EXPENSES

Salaries	\$ 1,467,271	\$ 1,244,397
Employer contributions	255,379	257,546
Postage and courier	19,800	25,401
Insurance	42,010	38,446
Contributions	9,157	14,464
Repairs and maintenance	16,485	19,883
Travel expenses	14,645	29,387
Training expenses	6,047	14,570
Meeting expenses	9,826	8,480
Miscellaneous	5,245	4,167
Stationery and office supplies	22,065	31,922
Inspections	110,486	120,605
Rent	121,549	119,142
Advertising	3,353	3,853
Telecommunication and IT services	395,485	497,024
Professional fees	315,847	465,899
Taxes and permits	7,166	14,571
Amortization of capital assets	49,270	54,843
Amortization of intangible assets	64,625	97,610
	\$ 2,935,711	\$ 3,062,210

B - GOVERNANCE EXPENSES

Directors' remuneration	\$ 202,849	\$ 260,409
Employer contributions	19,847	18,860
Training expenses	7,099	-
Assembly and meeting expenses	38,555	25,884
Travel expenses	5,836	12,216
Miscellaneous	4,473	8,937
Professional fees	204,511	156,331
	\$ 483,170	\$ 482,637

C - CENTRE D'ENTRAIDE ET DE PRÉVENTION

Salaries	\$ 258,276	\$ 309,436
Employer contributions	51,059	64,981
Meeting expenses	844	-
Travel expenses	7,375	6,369
Miscellaneous	2,963	7,654
Rent	15,600	15,600
Products	(1,925)	-
Professional fees	13,783	33,354
	\$ 347,975	\$ 437,394

Compagnie mutuelle d'assurance en Église

SCHEDULES

For the year ended December 31,

2018

2017

D - COSTS RESULTING FROM THE LITIGATIONS RELATED TO GOVERNANCE SETTLED DURING THE YEAR

Directors' remuneration	\$	38,184	\$	56 258
Employer contributions		2,935		4 325
Travel expenses		3,145		6 137
Professional fees		918,777		143,319
Recovery from an insurer		(100,263)		-
	\$	862,778	\$	210,039

NOTES

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NOTES

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