



MUTUELLE
D'ASSURANCE
EN ÉGLISE

AGENCE EN ASSURANCE DE DOMMAGES

ANNUAL REPORT 2021

THE BEGINNING
OF A NEW ERA





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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.



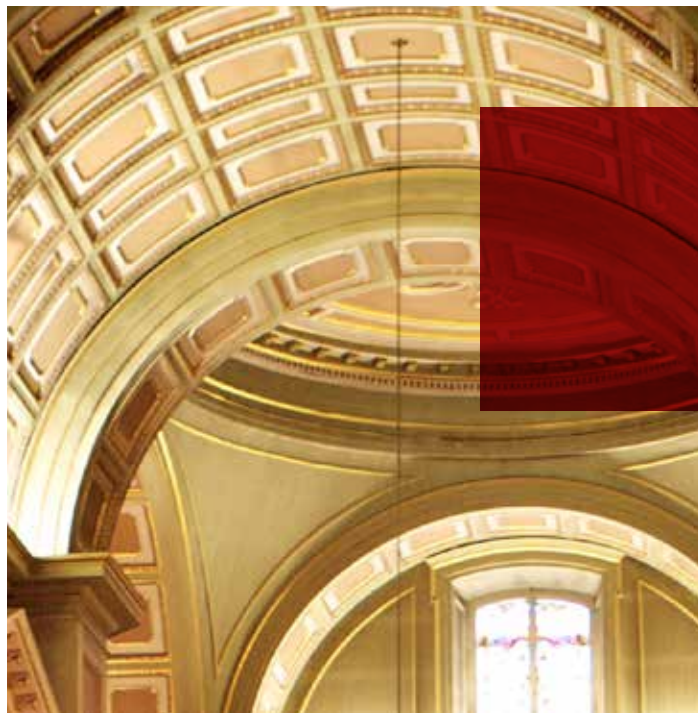
More than just **INSURANCE**

For more than 165 years, the Mutuelle has stood the test of time despite the disruptions it has experienced over the years, the organizational changes and the ever-changing context of the church community. Its strength? Mutual aid and the willingness of its members to remain united within a specific organization, mutualism, which allows them to take part in the election of officers and in making important decisions.

Indeed, the Mutuelle belongs to its members. This is a major advantage that is not found in a private company where the members are not owners. This substantial difference is what gives the Mutuelle its richness and uniqueness. It is therefore essential that each member be aware of it and take advantage of every opportunity they have to express their opinion, notably by using his or her right to vote when elections are held.

It is also important to remember that by being part of the Mutuelle, each member also contributes to the financial health of the Catholic community, because each member's efforts in the area of prevention becomes a positive collective effect for all members. Thanks to mutualism and the pooling of resources that underlies it, members also collectively acquire exceptional means that enable them to maintain and even improve the quality of their risk profile for the future, while benefiting from protection designed for them. Being a member of the Mutuelle d'assurance en Église is therefore not a simple matter of contract, it is a matter of heart and pride.

Furthermore, 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 our members and has the advantage of knowing their needs well. That is why we take into consideration the importance of offering them a unique insurance solution (exclusive products, personalized prevention approach, reasonable rates, profit sharing), 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.



OUR MISSION

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

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.

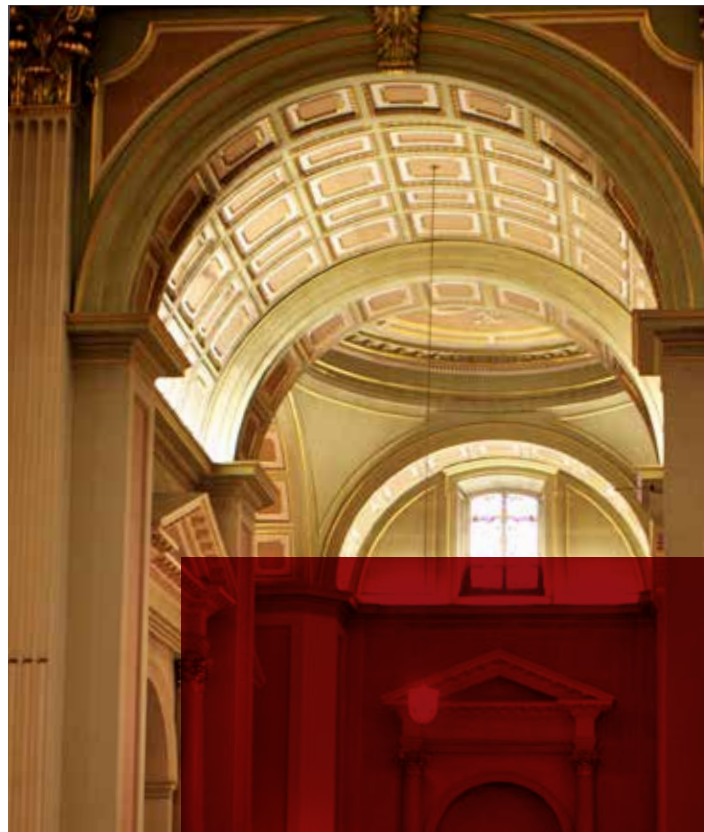
OUR VALUES

- 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 sustainability.





Thanks to mutualism and the pooling of resources that underlies it, members also collectively acquire exceptional means that enable them to maintain and even improve the quality of their risk profile for the future, while benefiting from protection designed for them.





Important **FACTS**

Our community in numbers

Calculated by number of policies.

\$ 3.48 G

**PROTECTED AND
INSURED VALUE**
of religious heritage

\$ 0.6 M

**SUM REDISTRIBUTED
IN 2021**

1556

INSURED SITES

532

FABRIQUES

126

**INSTITUTIONS FROM
OTHER CHRISTIAN
DENOMINATIONS**

27

**ROMAN CATHOLIC
RELIGIOUS
INSTITUTIONS**

685

**TOTAL NUMBER
OF POLICIES**

Approximate values evaluated
December 31, 2021.



A word from **THE CHAIRMAN**



Dear Members,

After a period of global turbulence and governance disruptions within the Mutuelle d'assurance en Église (MAE), we are back on track since the appointment by the members of the brand new Board of Directors at the Annual General Meeting on May 27, 2021 and since the end of the provisional administration on August 13, 2021.

Indeed, at the end of this meeting and the election process, seven (7) positions were filled according to the new composition of the Board of Directors and the parameters of representativeness established by the provisional administrator in order to re-establish a healthy governance at the Mutuelle. The Mutuelle can now rely on a board of experienced directors who, after a brief period of transition and immersion, are already hard at work. I can assure you that I have the full cooperation of all the members of the Board of Directors, each of whom brings a wealth of experience to the table, and that together we are already achieving positive

results. The first seven months of our mandate have been very busy and have allowed us to evaluate the Mutuelle's strengths and weaknesses and to quickly tackle various important issues.

Review of Committees

The Mutuelle has three committees: the Ethics Committee, the Audit Committee and, most recently, the Committee for the Monitoring and Control of Commercial Practices. These committees allow the Mutuelle to establish its governance on a solid foundation.

The Ethics Committee developed and adopted a brand-new Code of Ethics and Professional Conduct, which came into effect immediately. This was seen as a critical element in building a sound foundation and ensuring the trust of all the parties involved. The Audit Committee worked on the financial statements and examined the Mutuelle's investments. Then, in the context of the turbulence of the last few years within the governance, a Committee for the Monitoring and Control of Commercial Practices was created in August 2021. Its mandate is to monitor the Mutuelle's commercial practices and to ensure that the commitments made to policyholders are respected. It must also, as soon as it becomes aware of a situation that is likely to lead to an appreciable deterioration of the Mutuelle's financial situation, of another situation that is contrary to sound and prudent management practices or of a situation that is contrary to sound commercial practices, notify the Board of Directors and the Chief Executive Officer in writing.

Governance Review Plan

The fall was also spent beginning the review of all internal governance policies to simplify them and make them more consistent. In doing so, the Board must ensure that the Mutuelle meets the requirements of the regulators while having an effective and efficient management framework so that the team's energy is primarily directed towards member services.

In addition, last August, I announced that the Board of Directors would review the Attribution Policy and formula to ensure that best management practices are always applied in sharing wealth with members. As promised, the new Attribution Policy was adopted last November and will be presented to you at the 2022 Annual General Meeting. It aims to link the payment of the attribution to the evolution of the Mutuelle's financial capacities over time.

Strategic planning

Since the last strategic planning exercise was several years ago, we felt it was essential to re-launch this process, which is now at the top of our priorities. In doing so, we want to re-examine our mission, understand our environment, set realistic medium-term goals and define the means and an action plan to achieve them. To this end, a contract with an external consultant was signed in December 2021. The exercise will also require the contribution of management, employees and members. In fact, starting in the spring of 2022, we plan to organize small focus groups in which you will be asked to participate.

Departure of the Chief Executive Officer

I would like to remind you of the departure of Mr. Serge Ouellette, Chief Executive Officer, who held the position since April 29, 2019. During the search for a new person to fill the position, Ms. Colette St-Martin, Director of Legal Affairs and Corporate Secretariat at the Mutuelle, will assume the role of interim Chief Executive Officer.

The Board of Directors and the entire team of the Mutuelle would like to thank Mr. Ouellette for all his efforts in serving the community.

2021 in figures

This year, the Mutuelle posted a profitable overall result of \$3.34 million, including investment returns:

To date, the Mutuelle remains well capitalized. It has contributed to the maintenance of religious heritage through its expertise and financially through subsidies and programs.

Gross premiums earned increased by 14.6% over the previous year to \$10.51 million. This increase is primarily due to the addition of new members and the indexation of insured values.

The portion of this premium ceded to reinsurers increased by \$600,000, or approximately 17.3% over 2020, as a result of the increase in insured values and the introduction of an additional amount for potential earthquakes. As a result, the Mutuelle has increased its available revenue for all operations by 12.9% to \$6.4 million.

In 2021, we noticed a notable decrease in the number of claims, largely due to the pandemic and the absence of a significant weather event. Water damage (seepage/flooding/backflow/pipe breakage) is increasing again this year and represents a significant portion of claims paid. Liability claims remain

a concern this year and could affect the profitability of the Mutuelle. Fortunately, no major fires were reported in 2021.

Operating expenses increased slightly by approximately \$175,000. This increase is partially related to cost of living increases and hiring staff to fill vacant positions. However, it was offset by savings from the negotiation of new partnership agreements. The pandemic situation also allowed us to review and improve our business processes, while optimizing the services offered.

Governance costs remained essentially the same as in previous years. However, the Mutuelle was faced with exceptional costs of nearly \$465,000 resulting from governance-related litigation and numerous legal proceedings surrounding the interim administration.

The revenue from insurance operations was therefore \$2.76 million this year, while the excess of revenue over expenses was \$4.22 million before taking into account the above-mentioned governance-related litigation costs.

In closing,

I would like to thank all of the Mutuelle's employees for their commitment to providing members with exceptional service during these extraordinary times and also for their support of the Board of Directors during this exceptional time of transition.

"I bend and do not break," wrote Jean de La Fontaine in his fable The Oak and the Reed. It is in times of disruption and transition such as those that the Mutuelle has recently experienced that this quote takes on its full meaning. With over 165 years of unique expertise, a strong and dynamic team and supportive members, the Mutuelle has indeed shown great resilience. It has been able to stay the course and navigate through the turmoil. Now, the Mutuelle can and must look to the future, allow itself to dream and give itself the means to achieve its ambitions. On behalf of the Board of Directors, I assure you that this is also our wish and that we will be present at each step towards the definition and realization of this common vision.



Louis Héroux
Chairman of the Board of Directors
Mutuelle d'assurance en Église



A word from the **INTERIM CHIEF EXECUTIVE OFFICER**



Dear Members,

The year 2021 has been a year of movement, transition and consolidation at the Mutuelle. In addition to the appointment of the new Board of Directors, which has been able to accomplish a considerable amount of work since the beginning of its mandate, 2021 has also been rich in terms of the Mutuelle's operations.

The strength of the team

Without a strong team, the Mutuelle could not function and offer the quality services it is known for. That is why the Mutuelle makes it a point to do everything possible to keep its employees and to hire new ones when necessary. Currently, not only can the Mutuelle count on its long-time pillars, some of whom have been with the Mutuelle for 8, 12 and even 23 years, but the Mutuelle can now also count on three new people who joined the team this

year. Indeed, the underwriting team welcomed two new general insurance agents and a supernumerary assistant after having lost an underwriter who left to take up other professional challenges. The Mutuelle can also count on a new Chief Financial Officer, who filled the position last spring. In addition, one of the general insurance agents already working for the Mutuelle was given the position of Operations Coordinator.

I would like to thank all the members of the Mutuelle's team for the support and solidarity they have shown and especially for their commitment and dedication to each and every one of you, dear members.

New members

Despite the tribulations of the year, both in terms of the pandemic and the governance of the Mutuelle, the Mutuelle still managed to underwrite 22 new policies. That's actually two more new policies than in 2020.

New services for members

In the fall of 2020, the Mutuelle introduced a new tool for communicating with its members: a secure web-based client space. This easy-to-use tool allows the Mutuelle to share insurance documents or private data with its members at any time. We are pleased to note that in 2021, 90% of members have taken action and activated their account.

In addition, in order to better meet the needs of a larger number of members, especially during a pandemic, the Mutuelle launched online training courses accessible from the client space. Three training sessions on prevention have already been made available to help members make decisions, and others will be added in 2022, in terms of both prevention and insurance.

Optimization of information technology expenses

Following the end of the service contract with its sole supplier for telephony, office automation and internet, the Mutuelle chose to enter into contracts with new suppliers, following a call for proposals. These new service contracts covering all of the Mutuelle's information technology needs have enabled it to reduce its total annual bill by \$160,000. In 2021, the Mutuelle has already saved nearly \$100,000, with the new agreements effective May 1, 2021, and applicable migration fees.

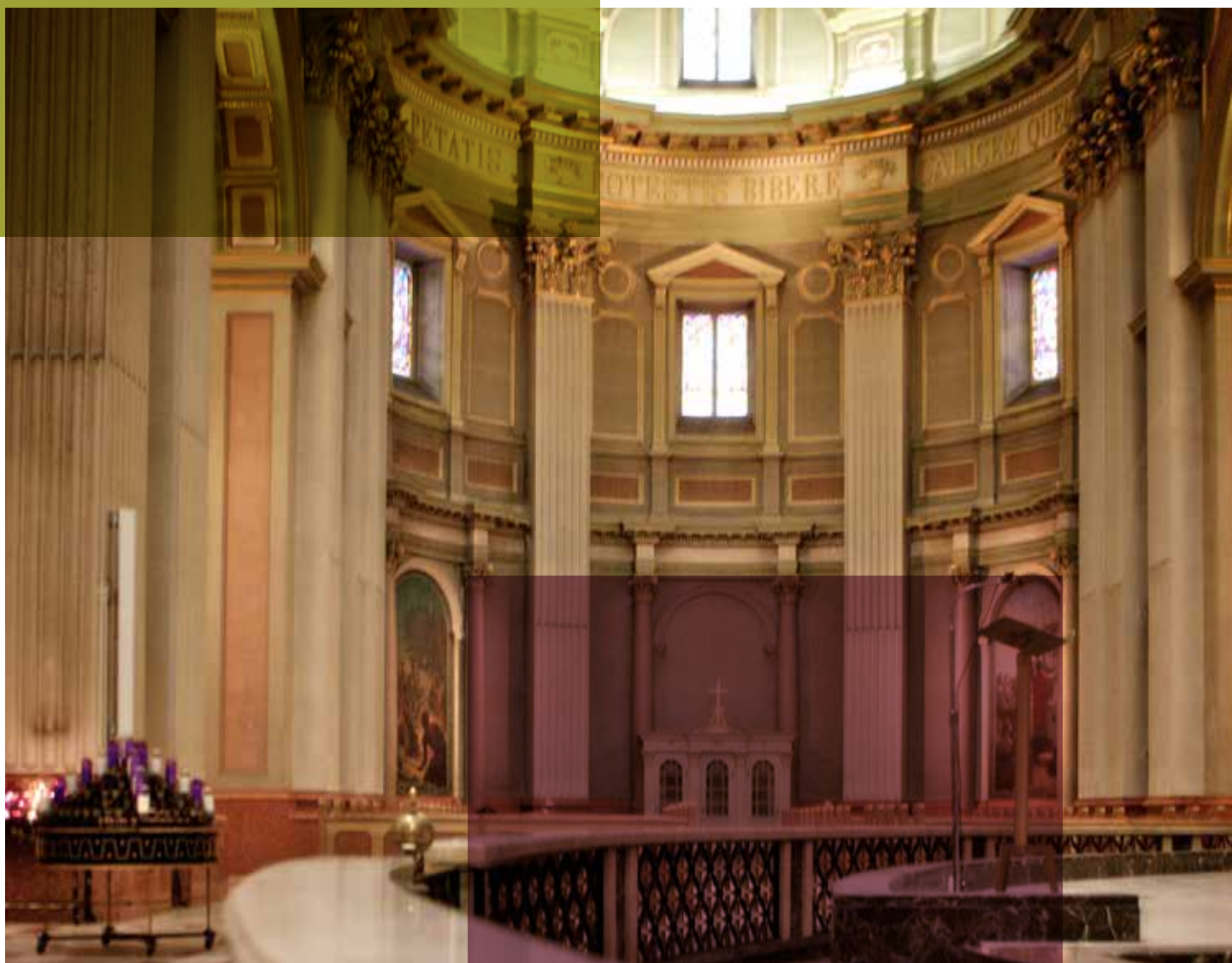
Internal controls

In order to ensure that it has an accurate picture of its internal management, the Mutuelle has conducted a new compliance audit. It also undertook a new integrated risk management exercise to promote its financial and overall health.

Like the Board of Directors, the Mutuelle's organization is also looking to the future in order to offer its members the best possible service at the best possible cost. The optimization of its resources will continue in 2022, a year we are already looking forward to.



Colette St-Martin
Interim Chief Executive Officer
Mutuelle d'assurance en Église





2021 Activity REVIEW

2021 Annual General Meeting

The Annual General Meeting, which was chaired by the provisional administrator, was held in virtual mode on May 27, 2021. In this meeting, members were able to ask their questions live in writing and get a verbal response, also live.

At the end of this meeting, the members appointed a new Board of Directors for the Mutuelle d'assurance en Église. It is composed of experienced directors who have been hard at work ever since.

Client space

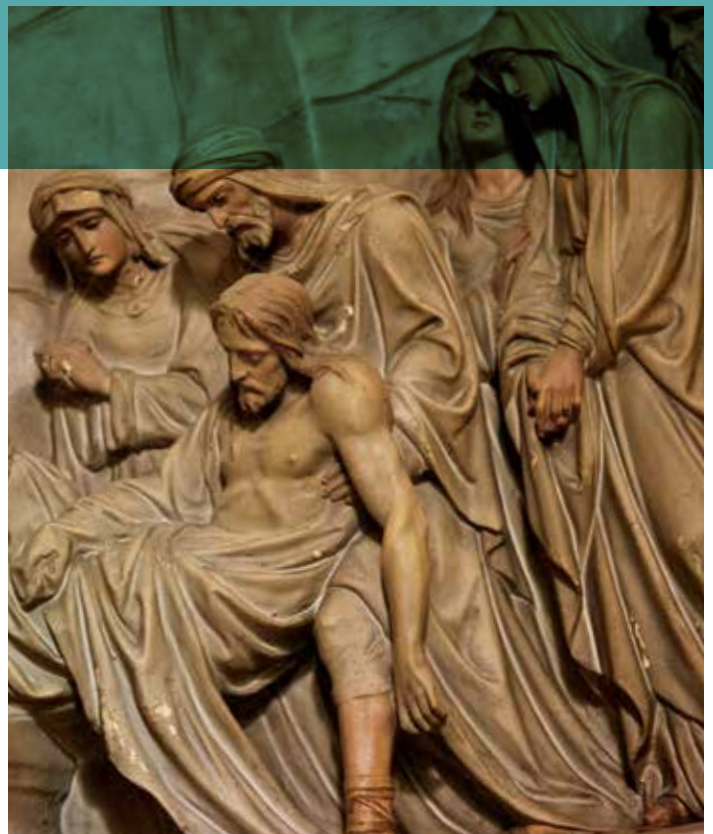
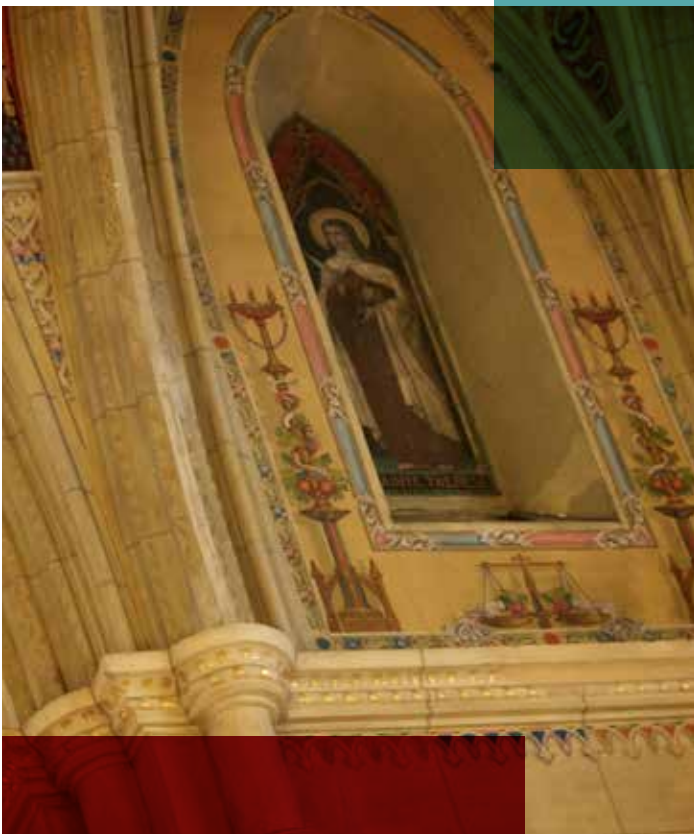
In the fall of 2020, insurance coordinators from all members were invited to activate their account on the Mutuelle's new client space, a network that allows the Mutuelle to share private documents or data with its members, among other things, and we were pleased to see that in 2021, 90% of members have taken action. The transition to this client space was particularly easy thanks to the openness, collaboration and enthusiasm of the vast majority of members for this new platform, which delighted the team responsible for its implementation.

Online training

In 2021, in a context of pandemic and restrictions, the Mutuelle set up video training sessions accessible on the Mutuelle's client space to allow members to continue to deepen their knowledge on various subjects. In all, three training sessions (in French only) have been produced and made available to members:

- 1** Preventing the fall of stone or brick walls;
- 2** Preventing water damage;
- 3** Preventing hazards related to liturgical decorations.

All persons who have activated their client space, whether as coordinator, president or guest, now have access to these training sessions in the comfort of their office or home.

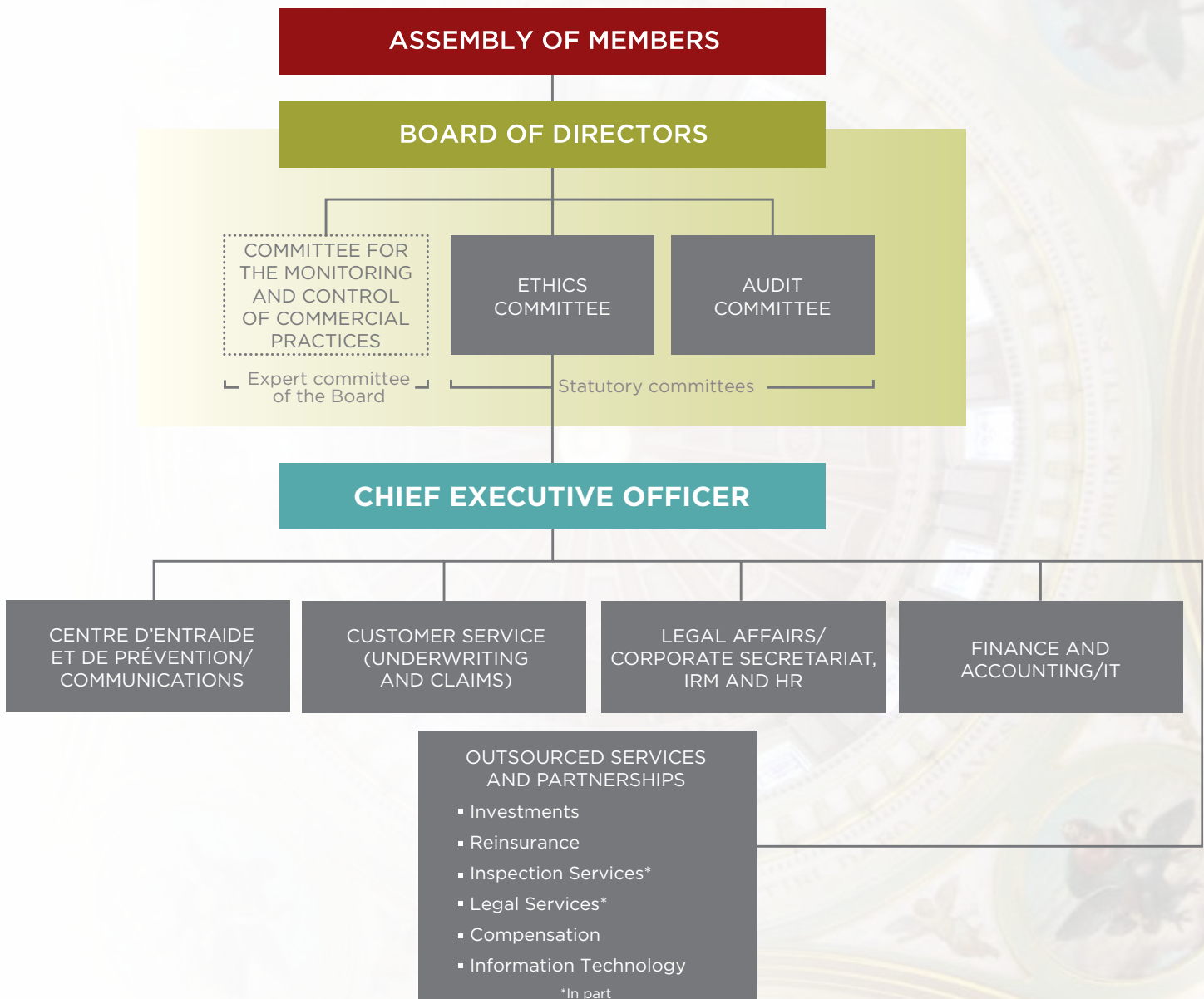




GOVERNANCE

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 Mutuelle 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





New composition OF THE BOARD OF DIRECTORS

As a reminder, in 2020, the By-Laws were amended to introduce the parameters of representativeness for member representatives and to reserve positions for independent directors in accordance with the applicable legislation.

Insurers act, s. 90. An authorized Québec insurer must implement a policy aimed at fostering, in particular, the **independence, competence and diversity** of the members of its board of directors and of the members of the committees of the board.

Insurers act, s. 274. At least half of the board of directors of a mutual company must consist of **mutual members**.

Governance Guideline (AMF) The AMF also expects **the majority of board members to be independent**. The concept of independence is characterized by the ability of the board members to exercise, collectively or individually, objective and **impartial judgment** regarding the financial institution's affairs **without undue influence from senior management or stakeholders**.

Four member representatives

Four of the seven seats on the Board of Directors are reserved for member representatives. These have been allocated on the basis of territorial division and type of membership in order to achieve an equivalent number of members for each category.

“Central Region”

All members who are part of the Roman Catholic Church in the territory of the Diocese of Montreal.

“Northern Region”

All members who are part of the Roman Catholic Church in the territory of the dioceses of Amos, Chicoutimi, Baie-Comeau, Rouyn-Noranda, Mont-Laurier, Joliette, Trois-Rivières, Québec, Gatineau, Saint-Jérôme, Valleyfield.

“Southern Region”

All members who are part of the Roman Catholic Church on the territory of the dioceses of Saint-Jean-Longueuil, Saint-Hyacinthe, Sherbrooke, Nicolet, Sainte-Anne-de-la-Pocatière, Rimouski, Gaspé.

“Other Institutions”

All members not attached to the clergy of the Roman Catholic Church (religious institutions, NPOs and other Christian denominations).

Three independent directors

The other three positions are held by independent directors in order to have an objective vision based exclusively on the interest of the Mutuelle. They must have no ties with the Mutuelle or with any of its members.

In May 2021, the notion of independent director was clarified in article 25 of the By-Laws.

(...)

A director is independent if he or she does not have, and has not had during the past three (3) years, any direct or indirect material relationship with the Mutuelle or with any of its Members, including being or having been:

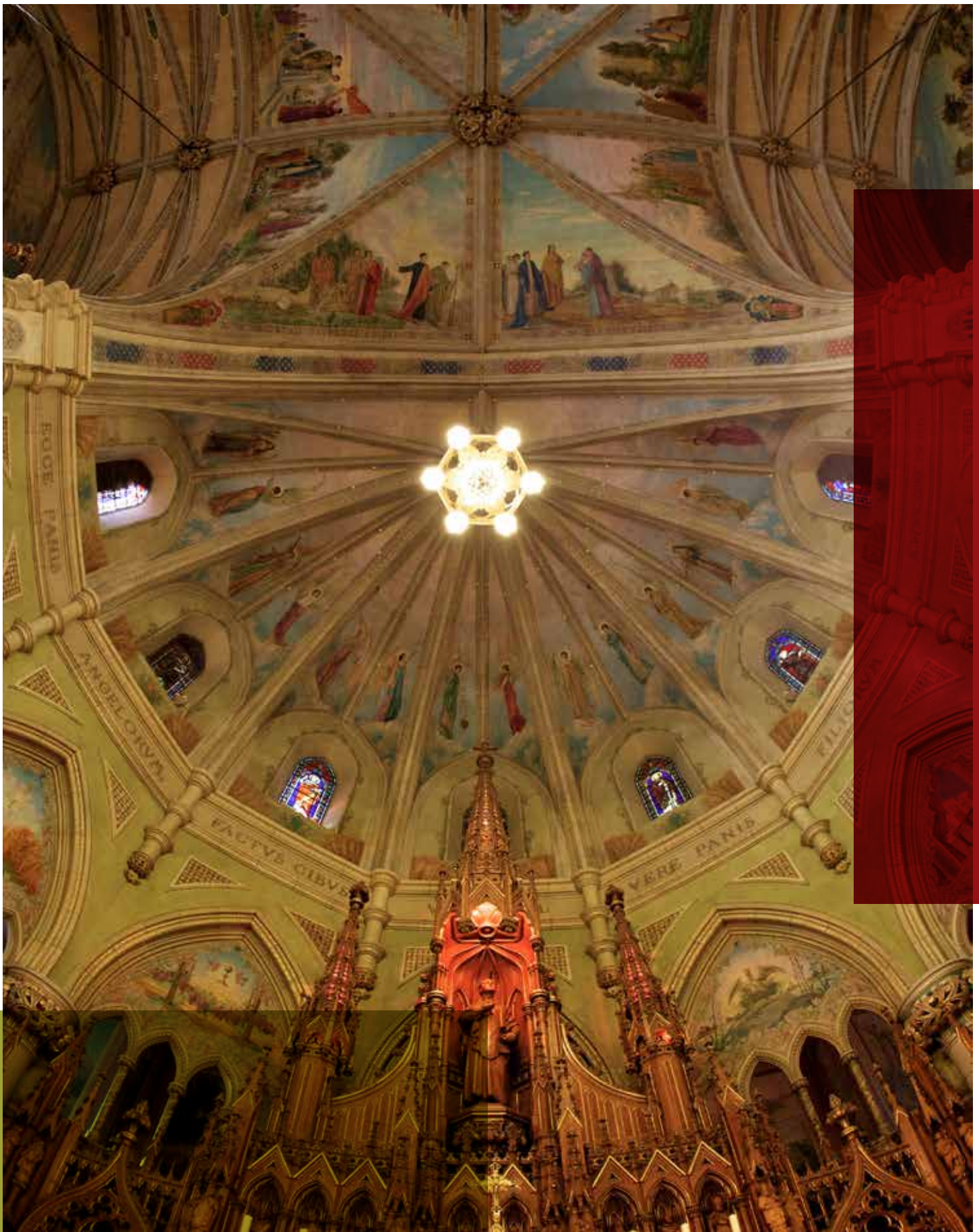
- i. an employee of the Mutuelle;
- ii. a director of the Mutuelle, except in the case of a director seeking re-election
- iii. an employee, director or director's equivalent, committee member or person otherwise involved with a Member of the Mutuelle
- iv. an employee or director of a legal entity who deals with the Mutuelle or who personally deals with the Mutuelle or one of its Members
- v. the spouse, child or stepchild of the persons described in subparagraphs i, ii, iii and iv.

All equal before the members

In keeping with the principle of mutuality, the By-Laws provide that each member has one vote for each position on the Board of Directors.

The By-Laws also provide that vacancies on the Board that occur during the term will need to be filled by election by the members.

Note that the translation of the provisions is not official and that the official French version takes precedence.



Members of the 2021 BOARD OF DIRECTORS AND OFFICERS

LOUIS HÉROUX, Chairman

Elected on May 27, 2021, and Chairman since May 27, 2021
Independent Director

ANDRÉ BOUCHARD, Vice-President

Elected on May 27, 2021, and Vice-President since
May 27, 2021
Northern Region

LUCIEN BERGERON, Director

Elected on May 27, 2021
Independent Director

DENIS CAPISTRAN, Director

Elected on May 27, 2021
Southern Region

NIQUETTE DELAGE, Director

Elected on May 27, 2021
Central Region

SÉBASTIEN FROIDEVAUX, Director

Elected on May 27, 2021
Other Institutions

NORMAND LAFRENIÈRE, Director

Elected on May 27, 2021
Independent Director

Following the Superior Court's February 26, 2020, judgment placing the Mutuelle under provisional administration, the provisional administrator exercised the powers of the Board of Directors as of that date. On May 27, 2021, at the Annual General Meeting, a new Board of Directors was elected. The provisional administrator exercised a transition until the judgment of the Superior Court rendered on August 13, 2021, releasing him from his mandate.

SERGE OUELLETTE, Chief Executive Officer

Non-member of the Board
Departure in February 2022

COLETTE ST-MARTIN, Corporate Secretary

Non-member of the Board

CHANTAL LAPOINTE, Chief Financial Officer

Non-member of the Board

2021 COMMITTEE MEMBERS

COMMITTEE FOR THE MONITORING AND CONTROL OF COMMERCIAL PRACTICES

Created on August 12, 2021

ANDRÉ BOUCHARD

Chairperson since November 15, 2021

NIQUETTE DELAGE

LOUIS HÉROUX

AUDIT COMMITTEE

NORMAND LAFRENIÈRE

Chairperson since July 13, 2021

SÉBASTIEN FROIDEVAUX

LUCIEN BERGERON

LOUIS HÉROUX

Ex-officio member

ETHICS COMMITTEE

NIQUETTE DELAGE

Chairperson since July 12, 2021

ANDRÉ BOUCHARD

DENIS CAPISTRAN

LOUIS HÉROUX

Ex-officio member

NORMAND LAFRENIÈRE

FINANCE AND STRATEGY COMMITTEE

Abolished on August 12, 2021

In 2020, the Mutuelle was under provisional administration for the rest of the year starting February 26. As a result, the committees were inoperative from that date until the appointment of the new Board of Directors on May 27, 2021.



Board of Directors **AND COMMITTEES**

Mandate of the **CHAIRMAN**

The Chairman directs the work of the Board. He is the main link between the Board and senior management and ensures that the decisions of the Board are implemented. He acts as the Mutuelle's representative in all matters that fall under the jurisdiction of the Board of Directors.

The board of **DIRECTORS**

The Board of Directors governs the Mutuelle. Its role is to oversee and guide the activities of the Mutuelle in order to ensure its health and sustainability. It is responsible for assuming the duties and responsibilities provided for by the legislation and guidelines issued by the Autorité des marchés financiers (AMF) and exercises all the powers necessary for this purpose. In particular, it may create management positions, committees and any other body necessary for the Mutuelle's operations and the achievement of its mission.

The Board of Directors may allocate sums to special projects, decide on an attribution, make distinctions between categories of members and take any other decision of the same nature.

AUDIT *committee*

The Audit Committee must review all financial statements intended for the Board of Directors before they are delivered to it, as well as carry out any other mandate that may, from time to time, be given to it by the Board of Directors.

The Committee must present the financial statements to the Board of Directors and recommend their final approval. In doing so, it must take into consideration any resolutions of the Board pertaining to these statements and act accordingly.

The Committee must correct any errors or inaccuracies in the financial statements and, when the financial statements have been circulated to the members, shall inform the meeting of the members.

THE ETHICS *committee*

The Ethics Committee must adopt the rules of ethics that the Mutuelle must implement. These rules are binding on the Board of Directors. In addition, it must send a copy of these rules to the AMF.

These rules must include the following subjects:

- 1** the conduct of its directors and officers;
- 2** the conduct of the Mutuelle with individuals and groups interested in it;
- 3** the formalities and conditions of contracts with such persons and groups.

The ethics committee must ensure the application of the rules of ethics and professional conduct and notify the Board of Directors in writing without delay of any breach thereof.

The ethics committee shall submit an annual report on its activities during the fiscal year to the AMF within two months of the end of the Mutuelle's fiscal year.

Committee for the **MONITORING AND CONTROL** **OF COMMERCIAL PRACTICES**

Created in August 2021, the Committee for the Monitoring and Control of Commercial Practices is responsible for monitoring the Mutuelle's business practices as well as compliance with the commitments it makes to policyholders.

It reports annually to the Board of Directors on the implementation of commercial and management practices. In addition, the Committee must, as soon as it becomes aware of a situation that is likely to lead to a significant deterioration in the Mutuelle's financial situation, of another situation that is contrary to sound and prudent management practices or of a situation that is contrary to sound business practices, notify the Board of Directors and the Chief Executive Officer in writing.

Notes



**MUTUELLE
D'ASSURANCE
EN ÉGLISE**

AGENCE EN ASSURANCE DE DOMMAGES

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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, 2021, 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, 2021, 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 24, 2022

¹ CPA auditor, CA, public accountancy permit No. A110548

Opinion of the Actuary

I have valued the policy liabilities and reinsurance recoverables of the Compagnie mutuelle d'assurance en Église for its statement of financial position at December 31, 2021 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)	Actuary's Estimate (\$'000)
(1) Direct unpaid claims and adjustment expenses	17,939	17,939
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	17,939	17,939
(4) Amounts recoverable from reinsurers	7,908	7,908
(5) Other recoverables on unpaid claims	0	0
(6) Other liabilities	0	0
(7) Net unpaid claims and adjustment expenses (3) - (4) - (5) + (6)	10,031	10,031
Premium Liabilities	Carried in Annual Return (col. 1) (\$'000)	Actuary's Estimate (col. 2) (\$'000)
(1) Gross unearned premium liabilities		1,137
(2) Net unearned premium liabilities		2,268
(3) Gross unearned premium	3,149	
(4) Net unearned premium	3,149	
(5) Premium deficiency	0	0
(6) Other liabilities	0	0
(7) Deferred policy acquisition expenses	0	
(8) Maximum policy acquisition expenses deferrable [(4)+(5)+(9)] _{col. 1} - (2) _{col. 2}		880
(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 

André Gauthier
Fellow, Canadian Institute of Actuaries
Montreal, Quebec
February 24, 2022

Compagnie mutuelle d'assurance en Église

STATEMENT OF INCOME

For the year ended December 31,

2021

2020

INSURANCE ACTIVITIES

GROSS REVENUE

Gross written premiums	\$ 10,453,832	\$ 10,250,465
Gross earned premiums	\$ 10,507,738	\$ 9,170,520
Earned premiums ceded to reinsurers	(4,067,917)	(3,468,312)
Net earned premiums	6,439,821	5,702,208

EXPENSES

Claims and adjustment expenses (Note 9)	1,919,415	5,201,790
Recoveries from reinsurers (Note 9)	(917,659)	(1,648,604)
Net claims and adjustment expenses	1,001,756	3,553,186
Administrative expenses (Schedule A)	2,317,201	2,139,039
Governance expenses (Schedule B)	357,347	354,346
	3,676,304	6,046,571

GAIN (LOSS) FROM INSURANCE ACTIVITIES	2,763,517	(344,363)
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INVESTING ACTIVITIES

Investment income (Note 6)	2,169,348	2,692,581
Management and custodial fees	(125,633)	(118,355)
	2,043,715	2,574,226

EXCESS OF REVENUES OVER EXPENSES BEFORE ATTRIBUTION AND OTHER ITEM

	4,807,232	2,229,863
Attribution to members	-	1,642,397
Subsidies to members – Biennial Maintenance Program and other	297,721	298,835
<i>Centre d'entraide et de prévention</i> (Schedule C)	285,111	282,370
	582,832	2,223,602

EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEM	\$ 4,224,400	\$ 6,261
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Compagnie mutuelle d'assurance en Église

STATEMENT OF INCOME (continued)

For the year ended December 31,

	2021	2020
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEM	\$ 4,224,400	\$ 6,261
OTHER ITEM		
Costs resulting from the litigations related to governance (Schedule D)	(464,927)	(491,953)
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 3,759,473	\$ (485,692)

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31,

	2021	2020
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 3,759,473	\$ (485,692)
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to the statement of income		
Changes in unrealized gains and losses on available-for-sale investments	612,578	2,399,152
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments (Note 6)	(1,058,261)	(1,226,225)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments (Note 6)	30,502	97,867
Net change that occurred during the year on available-for-sale investments	(415,181)	1,270,794
COMPREHENSIVE INCOME	\$ 3,344,292	\$ 785,102

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF CHANGE IN MEMBERS' EQUITY

	Available surplus	Reserved surplus	Accumulated other comprehensive income	Total
BALANCE as at December 31, 2019	\$ 14,042,553	\$ 21,507,500	\$ 2,586,629	\$ 38,136,682
Comprehensive income for the year				
Shortfall of revenues over expenses	(485,692)	-	-	(485,692)
Other comprehensive income items				
Changes in unrealized gains and losses on available-for-sale investments	-	-	2,399,152	2,399,152
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments	-	-	(1,226,225)	(1,226,225)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments	-	-	97,867	97,867
Transfer to reserved surplus (Note 13)	(1,778,000)	1,778,000	-	-
BALANCE as at December 31, 2020	11,778,861	23,285,500	3,857,423	38,921,784
Comprehensive income for the year				
Excess of revenues over expenses	3,759,473	-	-	3,759,473
Other comprehensive income items				
Changes in unrealized gains and losses on available-for-sale investments	-	-	612,578	612,578
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments	-	-	(1,058,261)	(1,058,261)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments	-	-	30,502	30,502
Transfer to reserved surplus (Note 13)	871,500	(871,500)	-	-
BALANCE as at December 31, 2021	\$ 16,409,834	\$ 22,414,000	\$ 3,442,242	\$ 42,266,076

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF FINANCIAL POSITION

As at December 31,

2021

2020

ASSETS

Cash	\$ 6,061,478	\$ 4,587,618
Accounts receivable (Note 7)	3,736,927	3,388,056
Prepaid expenses	77,873	57,172
Investments (Note 8)	45,949,032	45,767,144
Reinsurers' share of the provision for unpaid claims and adjustment expenses (Note 9)	7,907,513	7,514,374
Tangible and intangible assets (Note 11)	171,737	98,445
	\$ 63,904,560	\$ 61,412,809

LIABILITIES

Liabilities related to insurance contracts		
Provision for unpaid claims and adjustment expenses (Note 9)	\$ 17,938,937	\$ 18,391,650
Unearned premiums (Note 10)	3,149,069	3,202,975
	21,088,006	21,594,625
Attribution payable to members	-	410,236
Accounts payable (Note 12)	547,110	476,340
Lease liability	3,368	9,824
	21,638,484	22,491,025

MEMBERS' EQUITY

Available surplus	16,409,834	11,778,861
Reserved surplus	22,414,000	23,285,500
Accumulated other comprehensive income	3,442,242	3,857,423
	42,266,076	38,921,784
	\$ 63,904,560	\$ 61,412,809

Commitments (Note 16)

On behalf of the Board,



, Chairperson of the Audit Committee



, Chairman of the Board of Directors

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF CASH FLOWS

For the year ended December 31,

	2021	2020
OPERATING ACTIVITIES		
Excess (Shortfall) of revenues over expenses	\$ 3,759,473	\$ (485,692)
Non-cash items		
Gains realized on the disposal of available-for-sale investments	(1,058,261)	(1,226,225)
Impairment losses recognized on available-for-sale investments	30,502	97,867
Amortization of premium on bonds	60,487	86,814
Amortization of tangible and intangible assets	51,585	60,686
	2,843,786	(1,466,550)
Changes in non-cash working capital items	(1,608,796)	1,479,171
Cash flows related to operating activities	1,234,990	12,621
INVESTING ACTIVITIES		
Acquisition of investments	(13,240,551)	(19,984,759)
Disposal of investments	13,610,754	16,146,343
Acquisition of tangible and intangible assets	(124,877)	-
Cash flows related to investing activities	245,326	(3,838,416)
FINANCING ACTIVITIES		
Reimbursement of the lease liability	(6,456)	(13,972)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,473,860	(3,839,767)
CASH, beginning of year	4,587,618	8,427,385
CASH, end of year	\$ 6,061,478	\$ 4,587,618
Cash flows related to operating activities from:		
Interest received	\$ 297,594	\$ 369,667
Dividends received	\$ 251,559	\$ 252,226
Income from mutual funds received	\$ 659,576	\$ 1,029,395

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

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

1. REPORTING ENTITY

Compagnie mutuelle d'assurance en Église is a mutual insurance company under the Insurers Act 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.

2. 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 and unearned premiums, as well as the reinsurers' share of the provision for unpaid claims and adjustment expenses.

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.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

3. 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 24, 2022.

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 as well as liabilities related to insurance contracts prepared in accordance with the accounting policies set out in Note 4.

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 8 "Investments" and Note 9 "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 8 – Investments;
- Note 9 – Provision for unpaid claims and adjustment expenses and reinsurers' share of provision for unpaid claims and adjustment expenses.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

4. 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.

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.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Attribution to members

The attribution to members is determined and approved by the Board of Directors, 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 income 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.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

4. 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, 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 income.

Other financial liabilities

Attribution to members, accounts payable and lease liability 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 counterparty for which the instrument could be exchanged between knowledgeable and willing parties dealing at arm's length in full competition.

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, 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at fair value through net income, 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 asset

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.

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, 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible and intangible assets

Tangible 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 and office equipment	20%
Microcomputer equipment	33.3%
Internally generated 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 tangible and intangible assets is recognized in net income under administrative expenses and in expenses of the *Centre d'entraide et de prévention*.

Rental assets

Rental assets are initially recognized at cost, which includes the initial amount of the lease liability.

The rental assets are subsequently depreciated on a straight-line basis from the commencement date of the lease to the first due date between the end of the assets' useful life and the end of the leases. The useful life of a rental asset is assessed on the same basis as La Mutuelle's other tangible assets. The rental assets are depreciated over periods ranging from three to five years.

La Mutuelle presents its rental assets with its other tangible and intangible assets.

Impairment of non-financial assets

The carrying value of tangible 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.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Unearned premiums

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

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.

Lease liability

The lease liability is initially recognized at the present value of the lease payments that have not yet been made using the interest rate implicit in the lease contract or, if this rate cannot be easily determined, La Mutuelle's marginal borrowing rate. Lease payments under the lease include fixed payments.

The lease liability is subsequently revalued at amortized cost using the effective interest rate method.

When there is a change in the contractual payments as a result of a change in an index or a rate, the amount of such adjustment to the lease liability is charged against the unamortized cost of the rental asset or to the statement of income when the rental asset is fully impaired.

Lease contracts

La Mutuelle has chosen to apply the exemptions for short-term contracts and contracts involving low-value assets. These contracts are either for a term of twelve months or less or involve underlying assets that are not considered material in value. Payments made under short-term and low-value asset leases are recognized in net income on a straight-line basis over the term of the lease.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New future accounting standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) have published new pronouncements whose application will be mandatory for financial years beginning after January 1, 2021. Several of these new standards will not apply to La Mutuelle's financial statements and are therefore not discussed below.

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. La Mutuelle is currently evaluating the impact of this new standard on its financial statements. An amendment to IFRS 4 – Insurance Contracts, published by the IASB on September 12, 2016, provides for certain measures to allow entities, whose principal business model is to issue insurance contracts, the option to postpone the entry into force of IFRS 9 until January 1, 2021, the effective date of IFRS 17 – Insurance Contracts. This exemption remains valid with the publication of IFRS 17 in May 2017. In March 2020, the IASB deferred the effective date of IFRS 17 to January 1, 2023, which also defers the exemption from adopting IFRS 9 until that date. La Mutuelle will avail itself of the deferral until the maximum date allowed.

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 for the year	\$ (456,408)	\$ 1,068,986
Fair value, end of year	\$ 15,230,636	\$ 30,718,396

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

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

New future accounting standards (continued)

IFRS 17 – Insurance Contracts

In May 2017, the IASB published the new standard IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – 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. This standard will apply to fiscal years beginning on or after January 1, 2023. La Mutuelle is currently assessing the impact of this standard on its financial statements, particularly on the presentation, disclosure and valuation of insurance and reinsurance contracts, and of the provision for unpaid claims and adjustment expenses.

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB published an amendment to IAS 1 – Presentation of Financial Statements. This amendment relates to the classification of liabilities as current or non-current and affects only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of an asset, liability, income or expense or the information that entities disclose about them. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted. La Mutuelle has not yet analyzed the impact of this amendment on its financial statements.

6. INVESTMENT INCOME

	2021	2020
Interest	\$ 289,072	\$ 364,499
Amortization of premium on bonds	(60,487)	(86,814)
Dividends	253,428	257,143
Income from mutual funds	659,576	1,029,395
Gains realized on the disposal of available-for-sale investments	1,058,261	1,226,225
Impairment losses recognized on available-for-sale investments	(30,502)	(97,867)
	\$ 2,169,348	\$ 2,692,581

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

7. ACCOUNTS RECEIVABLE

	2021	2020
Premiums receivable from policyholders	\$ 3,040,096	\$ 3,064,213
Interest and dividends receivable	43,573	50,226
Amounts receivable from reinsurers	628,258	248,617
Other	25,000	25,000
	\$ 3,736,927	\$ 3,388,056

La Mutuelle expects to recover all accounts receivable no later than twelve months following the year-end, except for the amount of \$25,000.

8. INVESTMENTS

	2021		2020	
	Cost	Fair value	Cost	Fair value
Available-for-sale investments				
Bonds				
Federal Government				
Less than one year	\$ 1,533,606	\$ 1,529,551	\$ -	\$ -
One to five years	6,108,885	6,076,781	7,038,449	7,167,027
More than five years	1,380,816	1,405,122	-	-
Provincial Governments				
One to five years	463,691	451,770	1,520,335	1,566,914
More than five years	5,799,592	5,767,412	6,154,588	6,445,213
	15,286,590	15,230,636	14,713,372	15,179,154
Canadian shares	5,722,669	7,372,972	5,834,635	6,697,859
American shares	1,082,958	1,823,117	1,256,529	1,825,225
Bond mutual funds	18,506,238	18,730,281	18,402,628	19,265,302
Equity mutual funds	2,028,257	2,792,026	1,809,352	2,799,604
	\$ 42,626,712	\$ 45,949,032	\$ 42,016,516	\$ 45,767,144

For bonds, the cost represents the amortized cost and the nominal value is \$15,326,216 (2020 – \$14,247,914).

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

8. INVESTMENTS (continued)

Every six months, La Mutuelle examines its portfolio of available-for-sale financial assets 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.

9. 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.

The procedures that give rise to claims can also influence the development of provisions. Certain class actions were filed with La Mutuelle. Class actions are filed on behalf of all persons in the cited situation. These phenomena increase the complexity of estimating provisions, given the lack of historical data and the few comparable cases. The evolution of class actions involves several elements such as the awareness of newly reported facts, the periods affected, the addition of new cases not reported but related to the class action as well as updated jurisprudence which can significantly modify the best estimates for each fiscal year. The provision for unpaid claims and adjustment expenses determined at year-end is based on management's best estimates.

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.
- 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.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

9. 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 focuses on the potential variations in certain key assumptions when all other assumptions remain constant, to show the impact on net income and members' equity. This analysis does not include the sensitivity of provisions associated with class action lawsuits.

Sensitivity factors	2021			
	Changes made to assumptions		Increase in the factor	Decrease in the factor
Claims development	10%	\$	(308,111)	\$ 320,170
Discount rate	1%	\$	138,304	\$ (142,691)
Sensitivity factors	2020			
	Changes made to assumptions		Increase in the factor	Decrease in the factor
Claims development	10%	\$	(363,107)	\$ 371,561
Discount rate	1%	\$	43,472	\$ (10,893)

The discount rate used by the actuary was 1.7% (2020 – 0.5%).

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

9. 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 unpaid claims and adjustment expenses for the year were as follows:

	2021			2020		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
BALANCE , beginning of year	\$ 18,391,650	\$ 7,514,374	\$ 10,877,276	\$ 15,710,582	\$ 6,345,325	\$ 9,365,257
Increase (decrease) in losses and estimated expenses for claims incurred in prior years	144,012	827,185	(683,173)	3,838,011	1,541,427	2,296,584
Losses and expenses incurred in the current year	1,775,403	90,474	1,684,929	1,363,779	107,177	1,256,602
Net claims and adjustment expenses	1,919,415	917,659	1,001,756	5,201,790	1,648,604	3,553,186
Amounts paid and recovered for claims incurred						
Current year	(802,138)	-	(802,138)	(525,685)	-	(525,685)
Prior years	(1,569,990)	(524,520)	(1,045,470)	(1,995,037)	(479,555)	(1,515,482)
	(2,372,128)	(524,520)	(1,847,608)	(2,520,722)	(479,555)	(2,041,167)
BALANCE , end of year	\$ 17,938,937	\$ 7,907,513	\$ 10,031,424	\$ 18,391,650	\$ 7,514,374	\$ 10,877,276

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

	2021			2020		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
Provision for reported claims	\$ 15,125,212	\$ 7,440,282	\$ 7,684,930	\$ 15,312,269	\$ 7,105,176	\$ 8,207,093
Provision for unreported claims	392,448	(411,175)	803,623	357,032	81,270	275,762
Impact of discount	(367,716)	(175,852)	(191,864)	(46,118)	(19,293)	(26,825)
Impact of margins for adverse deviation	2,788,993	1,054,258	1,734,735	2,768,467	347,221	2,421,246
	\$ 17,938,937	\$ 7,907,513	\$ 10,031,424	\$ 18,391,650	\$ 7,514,374	\$ 10,877,276

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

9. 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:

	2021			2020		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
Property	\$ 1,150,838	\$ 316,556	\$ 834,282	\$ 968,854	\$ 352,211	\$ 616,643
Liability	16,788,099	7,590,957	9,197,142	17,422,796	7,162,163	10,260,633
	\$ 17,938,937	\$ 7,907,513	\$ 10,031,424	\$ 18,391,650	\$ 7,514,374	\$ 10,877,276

10. UNEARNED PREMIUMS

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

	2021			2020		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
BALANCE , beginning of year	\$ 3,202,975	\$ -	\$ 3,202,975	\$ 2,123,030	\$ -	\$ 2,123,030
Written premiums	10,453,832	4,067,917	6,385,915	10,250,465	3,468,312	6,782,153
Premiums earned during the year	(10,507,738)	(4,067,917)	(6,439,821)	(9,170,520)	(3,468,312)	(5,702,208)
BALANCE , end of year	\$ 3,149,069	\$ -	\$ 3,149,069	\$ 3,202,975	\$ -	\$ 3,202,975

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, 2021 and 2020.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

11. TANGIBLE AND INTANGIBLE ASSETS

	Leasehold improvements	Furniture and office equipment	Micro- computer equipment	Rental assets	Internally generated software	Total
Cost	\$ 229,890	\$ 126,263	\$ 76,148	\$ 58,971	\$ 619,304	\$ 1,110,576
Accumulated amortization	(222,532)	(126,021)	(69,594)	(10,288)	(497,924)	(926,359)
BALANCE as at December 31, 2019	7,358	242	6,554	48,683	121,380	184,217
Disposals	-	-	-	(25,086)	-	(25,086)
Amortization	(3,658)	(167)	(6,282)	(14,386)	(36,193)	(60,686)
Total changes	(3,658)	(167)	(6,282)	(39,472)	(36,193)	(85,772)
Cost	229,890	126,263	76,148	22,090	619,304	1,073,695
Accumulated amortization	(226,190)	(126,188)	(75,876)	(12,879)	(534,117)	(975,250)
BALANCE as at December 31, 2020	3,700	75	272	9,211	85,187	98,445
Disposals	-	7,708	14,043	-	103,126	124,877
Amortization	(2,715)	(1,020)	(2,517)	(5,055)	(40,278)	(51,585)
Total changes	(2,715)	6,688	11,526	(5,055)	62,848	73,292
Cost	229,890	133,971	90,191	22,090	722,430	1,198,572
Accumulated amortization	(228,905)	(127,208)	(78,393)	(17,934)	(574,395)	(1,026,835)
BALANCE as at December 31, 2021	\$ 985	\$ 6,763	\$ 11,798	\$ 4,156	\$ 148,035	\$ 171,737

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

12. ACCOUNTS PAYABLE

	2021	2020
Suppliers and accrued liabilities	\$ 338,450	\$ 273,695
Accrued salaries and vacations	208,660	202,645
	\$ 547,110	\$ 476,340

13. CAPITAL MANAGEMENT

La Mutuelle defines its capital as members' equity. 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 premiums from its members.

The actuary, appointed by the Board of Directors in accordance with the Insurers Act (Quebec), prepares an annual assessment of the financial position of La Mutuelle. As part of the assessment, the actuary performs a Financial Condition Testing 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 350%. As a result, an amount of \$22,414,000 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:

	2021	2020
Available capital	\$ 42,119,000	\$ 38,835,000
Minimum capital required	6,404,000	6,653,000
Excess capital available over minimum capital required	\$ 35,715,000	\$ 32,182,000
MCT Ratio	658%	584%

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. 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 the 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.

Under its integrated risk management process, La Mutuelle reviews its portfolio risk profile annually in order to validate the adequacy of its underwriting policies. On a regular basis, client files are reviewed based on La Mutuelle's standards which may be, in certain cases, implemented gradually.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. 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 or 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 the reinsurance treaties in effect for the 2021 fiscal year is to limit the maximum loss for La Mutuelle to \$650,000 per event (maximum loss of \$500,000 per occurrence plus 10% of the \$1.5 million portion in excess of \$500,000).

For the 2021 fiscal year, La Mutuelle purchased a comprehensive catastrophe reinsurance of \$45,000,000 in property for earthquakes only, \$35,000,000 in property insurance for other causes of claims and \$10,000,000 in liability insurance, and this, to protect all of its 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.

The maintenance of effective underwriting and prevention practices by La Mutuelle, particularly for high-value risks, and evaluating the underwriting risks, are essential measures to preserve a long-term relationship of trust with reinsurers.

All treaties expiring on December 31, 2021 have been renewed for a period of one year.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. 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. The Ethics Committee (as it was called) was dissolved in 2020 following the appointment of the provisional administrator on February 26, 2020, by the Superior Court at the request of the Autorité des marchés financiers. The appointment of a new Board of Directors on May 27, 2021, and the judgment rendered on August 13, 2021, releasing the provisional administrator from his mandate, made it possible to set up a new Ethics Committee. This committee adopted a new Code of Ethics and Professional Conduct on September 13, 2021.

Concentration risk

Over 86% (2020 – 86%) 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. Under its licence as an insurer, La Mutuelle can solely insure legal entities of religious nature and not-for-profit organizations with charitable, social or religious purposes.

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.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Claims development

La Mutuelle is exposed to the risk that the claims provision appearing on the statements of comprehensive income 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, 2021, claims development was as follows:

Gross

	2011 and before	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims incurred												
At the end of the year	\$ -	\$ 964,488	\$ 3,700,625	\$ 1,219,001	\$ 1,442,187	\$ 1,947,656	\$ 2,085,262	\$ 1,096,546	\$ 3,022,810	\$ 1,305,306	\$ 1,545,960	
One year later	-	2,548,833	3,656,522	1,020,807	971,384	1,425,676	1,449,935	769,933	2,829,969	1,221,076	-	
Two years later	-	2,880,302	3,651,466	943,987	1,390,286	1,419,483	1,565,124	810,004	2,843,824	-	-	
Three years later	-	2,930,621	3,663,398	945,504	1,649,583	1,414,340	1,739,350	769,399	-	-	-	
Four years later	-	3,444,921	3,620,053	1,799,561	1,819,988	1,414,340	1,679,894	-	-	-	-	
Five years later	-	3,379,693	3,659,752	1,799,561	1,825,990	1,414,340	-	-	-	-	-	
Six years later	-	3,796,762	3,659,752	1,813,198	1,791,653	-	-	-	-	-	-	
Seven years later	-	3,362,749	3,659,752	1,814,711	-	-	-	-	-	-	-	
Eight years later	-	3,433,784	3,659,752	-	-	-	-	-	-	-	-	
Nine years later	-	3,433,784	-	-	-	-	-	-	-	-	-	
Ultimate claims incurred	13,760,718	3,433,784	3,659,752	1,814,711	1,791,653	1,414,340	1,679,894	769,399	2,843,824	1,221,076	1,545,960	\$ 33,935,111
Paid claims	-	(3,355,182)	(3,659,752)	(1,804,828)	(1,779,453)	(1,414,340)	(1,484,694)	(763,570)	(2,572,686)	(964,423)	(618,523)	(18,417,451)
Unpaid claims	\$ 13,760,718	\$ 78,602	\$ -	\$ 9,883	\$ 12,200	\$ -	\$ 195,200	\$ 5,829	\$ 271,138	\$ 256,653	\$ 927,437	15,517,660
Impact of discounting and margins												2,421,277
												\$ 17,938,937

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Claims development (continued)

Net

	2011 and before	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of ultimate claims incurred												
At the end of the year	\$ -	\$ 405,610	\$ 1,354,898	\$ 379,692	\$ 570,449	\$ 607,791	\$ 804,818	\$ 1,092,046	\$ 2,352,802	\$ 1,205,555	\$ 1,461,000	
One year later	-	375,244	1,348,276	296,077	501,680	439,590	535,915	759,157	2,291,038	1,204,558	-	
Two years later	-	516,962	1,343,315	263,589	907,763	432,024	660,782	810,004	2,283,181	-	-	
Three years later	-	419,504	1,351,533	264,132	1,040,912	428,938	854,285	769,399	-	-	-	
Four years later	-	439,596	1,341,041	408,188	1,192,232	428,938	806,506	-	-	-	-	
Five years later	-	409,695	1,365,347	408,188	882,663	428,938	-	-	-	-	-	
Six years later	-	463,717	1,365,347	416,371	882,667	-	-	-	-	-	-	
Seven years later	-	463,726	1,365,347	417,278	-	-	-	-	-	-	-	
Eight years later	-	471,192	1,365,347	-	-	-	-	-	-	-	-	
Nine years later	-	471,188	-	-	-	-	-	-	-	-	-	
Ultimate claims incurred	7,136,770	471,188	1,365,347	417,278	882,667	428,938	806,506	769,399	2,283,181	1,204,558	1,461,000	\$ 17,226,832
Paid claims	-	(462,932)	(1,365,347)	(411,349)	(882,667)	(428,938)	(611,306)	(763,570)	(2,229,043)	(964,604)	(618,523)	(8,738,279)
Unpaid claims	\$ 7,136,770	\$ 8,256	\$ -	\$ 5,929	\$ -	\$ -	\$ 195,200	\$ 5,829	\$ 54,138	\$ 239,954	\$ 842,477	8,488,553
Impact of discounting and margins												1,542,871
												\$ 10,031,424

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks

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, portfolio investments in bonds and amounts receivable from reinsurers.

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.

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 Standard & Poor's 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, 2021 and 2020, none of the reinsurers had suffered a deterioration of its financial ratings in comparison to the reinsurance policy criteria. Management considers that as at December 31, 2021 and 2020, La Mutuelle was not exposed to a significant loss with respect to its reinsurers.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Credit and counterparty risk (continued)

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.

	2021	2020
Bonds by credit rating		
AAA/Aaa/A-1	69%	50%
AA/Aa/A-2	3%	4%
A/A-3	28%	46%

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, 2021 and 2020, La Mutuelle had no past due financial assets.

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.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk (continued)

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.

	2021			
	Less than one year	One to five years	More than five years	Total
Liabilities				
Provision for unpaid claims and adjustment expenses discounted	\$ 1,947,390	\$ 15,984,177	\$ 7,370	\$ 17,938,937
Accounts payable	547,110	-	-	547,110
Lease liability	3,368	-	-	3,368
	\$ 2,497,868	\$ 15,984,177	\$ 7,370	\$ 18,489,415
Assets backing liabilities				
Cash	\$ 6,061,478	\$ -	\$ -	\$ 6,061,478
Amounts receivable from reinsurers	628,258	-	-	628,258
Reinsurers' share of the provision for unpaid claims and adjustment expenses	976,013	6,931,500	-	7,907,513
Investments	32,247,947	6,528,551	7,172,534	45,949,032
	\$ 39,913,696	\$ 13,460,051	\$ 7,172,534	\$ 60,546,281

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

14. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk (continued)

	2020			
	Less than one year	One to five years	More than five years	Total
Liabilities				
Provision for unpaid claims and adjustment expenses discounted	\$ 1,360,523	\$ 16,262,993	\$ 768,134	\$ 18,391,650
Attribution payable to members	410,236	-	-	410,236
Accounts payable	476,340	-	-	476,340
Lease liability	9,824	-	-	9,824
	\$ 2,256,923	\$ 16,262,993	\$ 768,134	\$ 19,288,050

Assets backing liabilities

Cash	\$ 4,587,618	\$ -	\$ -	\$ 4,587,618
Amounts receivable from reinsurers	248,617	-	-	248,617
Reinsurers' share of the provision for unpaid claims and adjustment expenses	484,726	6,275,203	754,445	7,514,374
Investments	30,587,990	8,733,941	6,445,213	45,767,144
	\$ 35,908,951	\$ 15,009,144	\$ 7,199,658	\$ 58,117,753

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 and to 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, 2021

14. 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.

	2021		2020	
	Canadian dollars	Percentage of total assets	Canadian dollars	Percentage of total assets
Shares				
US dollars	\$ 1,823,117	2.85%	\$ 1,825,225	2.97%

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 \$182,000 (2020 – approximately \$183,000).

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.

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 \$533,000 (2020 – approximately \$749,000), excluding bond mutual funds.

Price risk

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 \$1,199,000 (2020 – approximately \$1,132,000).

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

15. 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 based on a significant amount of unobservable market data.

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, 2021:

	2021			
	Level 1	Level 2	Level 3	Total
Cash	\$ 6,061,478	\$ -	\$ -	\$ 6,061,478
Bonds	9,011,454	6,219,182	-	15,230,636
Listed shares	9,196,089	-	-	9,196,089
Bond mutual funds	18,730,281	-	-	18,730,281
Equity mutual funds	2,792,026	-	-	2,792,026
	\$ 45,791,328	\$ 6,219,182	\$ -	\$ 52,010,510

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2021

15. CLASSIFICATION OF FAIR VALUE MEASUREMENT (continued)

The following table shows the hierarchy of assets measured at fair value as at December 31, 2020:

	2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 4,587,618	\$ -	\$ -	\$ 4,587,618
Bonds	7,167,027	8,012,127	-	15,179,154
Listed shares	8,523,084	-	-	8,523,084
Bond mutual funds	19,265,302	-	-	19,265,302
Equity mutual funds	2,799,604	-	-	2,799,604
	\$ 42,342,635	\$ 8,012,127	\$ -	\$ 50,354,762

La Mutuelle assesses the classification of its financial instruments at each year-end date. During the years ended December 31, 2021 and 2020, no transfer was made between the different levels.

16. COMMITMENTS

La Mutuelle has contract commitments until 2026 for the rental of premises, computer systems and equipment. The balance of commitments subsequent to these contracts is established at \$565,805 and the minimum payments due in the coming years are as follows:

2022 – \$254,022
2023 – \$153,961
2024 – \$86,821
2025 – \$53,251
2026 – \$17,750

17. KEY MANAGEMENT PERSONNEL

Key management personnel includes directors (whether executives or otherwise) as well as members of the management committee and, for the 2021 fiscal year, the provisional administrator. The compensation of key management personnel is as follows:

	2021	2020
Short-term benefits	\$ 954,448	\$ 671,827

The key management personnel's remuneration is set out in Schedules B and D.

Compagnie mutuelle d'assurance en Église

SCHEDULES

For the year ended December 31,

2021

2020

A - ADMINISTRATIVE EXPENSES

Salaries	\$ 1,078,256	\$ 922,869
Employer contributions	205,873	191,917
Postage and courier	8,830	9,632
Insurance	54,588	68,212
Contributions	14,474	16,110
Repairs and maintenance	8,801	10,740
Stationery and office supplies	3,967	4,868
Travel expenses	3,233	6,328
Training expenses	6,151	20,624
Meeting expenses	1,611	1,016
Miscellaneous	15,638	7,913
Inspections	31,153	35,215
Rent	128,963	126,434
Advertising	2,248	3,764
Telecommunication and IT services	325,745	421,960
Professional fees	371,446	231,546
Taxes and permits	9,694	7,401
Amortization of tangible and intangible assets	46,530	52,490
	\$ 2,317,201	\$ 2,139,039

B - GOVERNANCE EXPENSES

Directors' remuneration	\$ 113,903	\$ 39,388
Employer contributions	11,229	3,416
Assembly and meeting expenses	11,782	67
Travel expenses	1,005	854
Miscellaneous	-	999
Provisional administration expenses	101,260	293,107
Professional fees	118,168	16,515
	\$ 357,347	\$ 354,346

C - CENTRE D'ENTRAIDE ET DE PRÉVENTION

Salaries	\$ 220,496	\$ 216,873
Employer contributions	44,081	45,435
Travel expenses	1,303	1,849
Miscellaneous	1,746	2,287
Products	(1,970)	(2,300)
Professional fees	14,400	10,030
Amortization of tangible assets	5,055	8,196
	\$ 285,111	\$ 282,370

Compagnie mutuelle d'assurance en Église

SCHEDULES

For the year ended December 31,

2021

2020

D - COSTS RESULTING FROM THE LITIGATIONS RELATED TO GOVERNANCE

Provisional administrator's remuneration	\$	29,375	\$	64,418
Legal fees and other		<u>435,552</u>		<u>427,535</u>
	\$	464,927	\$	491,953

Notes

Notes

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