

**Pictou County Farmers' Mutual Fire
Insurance Company**

Financial Statements
December 31, 2009

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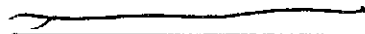
Management's Statement of Responsibility of Financial Reporting

Preparation of the financial statements is the responsibility of Pictou County Farmers' Mutual Fire Insurance Company's management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgements.

The Board of Directors oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Board of Directors, which is chaired by and composed solely of directors who are unrelated to, and independent of, the company, meet with financial management to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Board of Directors review and approve the annual financial statements to be issued to members. The external auditors have full and free access to the Board of Directors.



Ian MacCara
Chairman



Phillip Robichaud
General Manager



Auditors' Report

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To the Members of
Pictou County Farmers' Mutual Fire Insurance Company

We have audited the balance sheet of Pictou County Farmers' Mutual Fire Insurance Company as at December 31, 2009 and the statements of net (loss) earnings, comprehensive loss, accumulated other comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

New Glasgow, Nova Scotia
February 19, 2010

Chartered Accountants

(2)

Pictou County Farmers' Mutual Fire Insurance Company
Statement of Net (Loss) Earnings
For the year ended December 31, 2009

	2009 \$	2008 \$
Gross premiums written	1,292,301	981,042
Return premiums and refunds	<u>12,739</u>	<u>14,800</u>
	1,279,562	966,242
Less: Reinsurance premiums	<u>334,935</u>	<u>242,742</u>
Net premiums written	944,627	723,500
Add: Decrease (increase) in reserve for unearned premiums	<u>(75,264)</u>	<u>85,459</u>
	869,363	808,959
Add: Commissions paid	<u>18</u>	<u>265</u>
Total revenue	869,381	809,224
Less: Net claims and adjustments (Schedule 1)	<u>542,931</u>	<u>112,155</u>
Gross underwriting earnings	326,450	697,069
Less: Administrative expenses (Schedule 1)	<u>2,007,020</u>	<u>993,525</u>
Net underwriting loss	(1,680,570)	(296,456)
Add: Investment income (note 8)	<u>344,870</u>	<u>463,479</u>
(Loss) earnings before income taxes	<u>(1,335,700)</u>	<u>167,023</u>
Income taxes		
Current	(331,477)	31,398
Future	<u>(65,569)</u>	<u>857</u>
	(397,046)	32,255
Net (loss) earnings	<u>(938,654)</u>	<u>134,768</u>

See accompanying notes to financial statements

Pictou County Farmers' Mutual Fire Insurance Company
Statement of Comprehensive Loss
For the year ended December 31, 2009

	2009 \$	2008 \$
Net (loss) earnings	(938,654)	134,768
Other comprehensive income		
Change in unrealized gains (losses) on available for sale investments	548,523	(310,465)
Reclassification of net realized (gains) losses to earnings	105,369	(21,848)
	653,892	(332,313)
Other comprehensive income, income taxes		
Change in unrealized gains (losses) on available for sale investments	(152,362)	42,844
Reclassification of net realized (gains) losses to earnings	(29,268)	3,157
	(181,630)	46,001
Other comprehensive income, net of income taxes		
Changes in unrealized gains (losses) on available for sale investments	396,161	(267,621)
Reclassification of net realized (gains) losses to earnings	76,101	(18,691)
	472,262	(286,312)
Other comprehensive income (loss)	472,262	(286,312)
Comprehensive loss	(466,392)	(151,544)

See accompanying notes to financial statements

Pictou County Farmers' Mutual Fire Insurance Company
Statement of Accumulated Other Comprehensive Income
For the year ended December 31, 2009

	2009 \$	2008 \$
Accumulated other comprehensive income – Beginning of year	108,032	394,344
Other comprehensive income (loss)	<u>472,262</u>	<u>(286,312)</u>
Accumulated other comprehensive income – End of year	<u>580,294</u>	<u>108,032</u>

See accompanying notes to financial statements

Pictou County Farmers' Mutual Fire Insurance Company

Statement of Retained Earnings

For the year ended December 31, 2009

	2009 \$	2008 \$
Retained earnings – Beginning of year	9,061,196	8,926,428
Net (loss) earnings	<u>(938,654)</u>	<u>134,768</u>
Retained earnings – End of year	<u>8,122,542</u>	<u>9,061,196</u>

See accompanying notes to financial statements

Pictou County Farmers' Mutual Fire Insurance Company

Balance Sheet

As at December 31, 2009

	2009 \$	2008 \$
Assets		
Cash and cash equivalents	338,680	794,464
Accounts receivable (net of allowance \$15,353)	154,808	113,472
Prepaid expenses	32,146	16,200
Accrued interest on investments	59,634	66,484
Deferred policy acquisition expenses	124,664	119,600
Property and equipment (note 3)	597,622	524,269
Investments (note 4)	8,365,969	8,469,335
Income taxes receivable	113,220	-
Future income taxes	19,735	-
	<u>9,806,478</u>	<u>10,103,824</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	446,956	303,468
Future income taxes	-	42,313
Reserve for unearned premiums (note 2)	655,034	579,770
Income taxes payable	-	3,430
Term loan (note 6)	1,652	5,615
	<u>1,103,642</u>	<u>934,596</u>
Members' Equity		
Retained earnings (page 6)	8,122,542	9,061,196
Accumulated other comprehensive income (page 5)	580,294	108,032
	<u>8,702,836</u>	<u>9,169,228</u>
	<u>9,806,478</u>	<u>10,103,824</u>
Contingent liability (note 11)		
Commitment (note 15)		

Approved by the Board of Directors

Signed by Ian MacCara _____ Director

Signed by Jack Ferguson _____ Director

See accompanying notes to financial statements

Pictou County Farmers' Mutual Fire Insurance Company

Statement of Cash Flows

For the year ended December 31, 2009

	2009 \$	2008 \$
Increase (decrease) in cash and cash equivalents		
Operating		
Net (loss) earnings	(938,654)	134,768
Reserve for unearned premiums	75,264	(85,459)
Investment income	(301,508)	(425,040)
Future income taxes	(62,048)	857
Income taxes recovery included in comprehensive income	(181,632)	49,330
Loss (gain) on sale of investments	66,202	(21,848)
Amortization	43,321	41,299
Deferred policy acquisition expenses	(5,064)	5,447
	<u>(1,304,119)</u>	<u>(300,646)</u>
Change in non-cash operating working capital		
Accounts receivable	(41,336)	19,179
Prepaid expenses	(15,946)	(14,665)
Income taxes receivable	(116,650)	224,024
Accounts payables and accrued liabilities	143,488	(200,274)
	<u>(1,334,563)</u>	<u>(272,382)</u>
Investing		
Accrued interest on bonds	6,850	2,124
Investment income	301,508	425,040
Purchase of		
Motor vehicle	-	(29,917)
Building	(1,881)	(3,920)
Computers	(9,153)	(8,301)
Office equipment	(10,181)	(4,671)
Software	(95,458)	(11,526)
Proceeds from sale of		
Available for sale equities	1,380,763	116,368
Available for sale bonds	1,305,694	427,187
Purchase of		
Available for sale equities	(1,543,933)	(244,295)
Available for sale bonds	(451,467)	(100,222)
	<u>882,742</u>	<u>567,867</u>
Financing		
Repayment of term loan	(3,963)	(3,964)
Net increase (decrease) in cash and cash equivalents	(455,784)	291,521
Cash and cash equivalents, Beginning of year	<u>794,464</u>	<u>502,943</u>
End of year	<u>338,680</u>	<u>794,464</u>
Income taxes (refunded), net	<u>(36,716)</u>	<u>(241,955)</u>

See accompanying notes to financial statements

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

1 Nature of operations

The Company was incorporated in 1904 without share capital under the laws of the Province of Nova Scotia, is federally licensed and is subject to the Nova Scotia Insurance Act and the Office of Superintendent of Financial Institutions of Canada. It is licensed to write property and liability insurance in Nova Scotia.

2 Summary of significant accounting policies

Income on insurance

Premium income is recognized on a straight-line basis over the terms of the policies.

Unearned premiums

The unearned premium reserve is based on the unexpired term of all policies of the Company in force as at December 31.

Deferred policy acquisition expenses

Deferred policy acquisition expenses are those expenses such as agents' commissions, which relate directly to the acquisition of premiums. These expenses, to the extent that they are considered recoverable, are deferred and amortized over the terms of the related premiums.

Income taxes

The Company follows the asset and liability method of accounting for income taxes, whereby future tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Amortization

A 30% rate of amortization is used to write off the cost less estimated salvage value of the motor vehicle over its estimated useful life. A 30% to 100% rate of amortization is used to write off the cost less estimated salvage value of computer equipment over its estimated life. A 4% rate of amortization is used to write off the cost less estimated salvage value of the building over its estimated life. A rate of 20% is used to write off the cost less estimated salvage value of office equipment over its estimated life.

Foreign currency

Revenue and expense transactions originating in foreign currencies are translated at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at December 31 are translated at the rate of exchange prevailing at that date.

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

2 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of less than one year. Borrowings are considered to be financing activities.

Use of estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ materially from these estimates.

Claims liabilities

The determination of the provision for unpaid claims and adjustment expenses and the related reinsurers' share requires the estimation of three major variables or quanta, being expected unpaid claims, reinsurance recoveries and the effects of discounting to establish a best estimate of the value of the respective liability or asset.

The provision for unpaid claims and adjustment expenses is an estimate subject to variability and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, significant changes in the severity or frequency of claims from historical trends, the timing of claim payments, the recoverability of reinsurance and future rates of investment return. The estimates are principally based on the historical experience. Methods of estimation have been used which the company believes produce reasonable results given current information.

Financial instruments

Financial assets are classified as held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are classified as held for trading or as other financial liabilities. Derivatives are classified as held for trading unless they are specifically designated within an effective hedge relationship. The Company may also designate certain financial instruments, on initial recognition or adoption of the standard, as held for trading under the fair value option.

The Company's financial assets and liabilities, including all derivatives, but excluding insurance contracts, are recorded on the balance sheet at fair value on initial recognition and subsequently accounted for based on their classification as described below.

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Held for trading – Financial assets purchased for short-term investment objectives are classified as held for trading. Financial assets classified as held for trading are carried at fair value on the balance sheet with realized gains and losses and changes in unrealized gains and losses recorded in net gains (losses) on investments in the statement of earnings. Interest earned and incurred are included in interest income. At December 31, 2009, financial assets, carried at a fair value of \$338,680 were classified as held for trading.

Available for sale – Financial assets with quoted prices in an active market classified as available for sale are carried at fair value with changes in unrealized gains and losses recorded in other comprehensive income until realized, at which time the cumulative gain or loss is transferred to net gains (losses) on investments in the statement of earnings. When unrealized losses on available for sale investments are determined to be other than temporary, the difference between the cost of the investment and its market value is recorded as realized losses on investments in the statements of earnings and a corresponding adjustment is made to other comprehensive income. Previously, such write-downs were taken in relation to management's estimate of net realizable value. Dividends and interest income from available for sale investments are recorded in interest and dividends.

Held to maturity – The Company has not designated any financial assets held to maturity.

Loans and receivables and other financial liabilities – Loans and receivables and other financial liabilities are carried at amortized cost using the effective interest rate method.

Hedges – The Company did not have any derivatives designated as accounting hedges upon adoption of the new standards.

Comprehensive income – Comprehensive income consists of net earnings and other comprehensive income. Changes in unrealized gains and losses on financial assets classified as available for sale are recorded in the statement of comprehensive income, and included in accumulated other comprehensive income until recognized in the statement of earnings. Accumulated other comprehensive income is included on the balance sheet as a separate component of members' equity.

Fair value of financial instruments measured at fair value are quoted in active markets, are obtained from external pricing services and are based on bid prices for financial assets.

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

2 Summary of significant accounting policies (continued)

Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for Canadian profit-oriented publicly accountable entities ("PAEs") to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

Changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Company's reported financial position and results of operations. While the Company has begun assessing the impact of adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Goodwill and intangible assets

The CICA has issued a new accounting standard, Section 3064, *Goodwill and Intangible Assets*, which establish new standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Section 1000, *Financial Statement Concepts*, was also amended to provide consistency with Section 3064. The new and amended standards are effective for the Company's 2009 financial statements.

3 Property and equipment

			2009	2008
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Land	26,302	-	26,302	26,302
Building	418,442	40,584	377,858	391,682
Motor vehicle	53,813	29,455	24,358	34,797
Office equipment	61,727	22,793	38,934	37,954
Computer equipment	106,237	83,051	23,186	22,008
Software	106,984	-	106,984	11,526
	773,505	175,883	597,622	524,269

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

4 Investments

	December 31, 2009				December 31, 2008	
	Cost \$	Classified as available for sale \$	Total carrying value \$	Total fair value \$	Cost \$	Total fair value \$
Bonds						
Municipal bonds	462,864	476,996	476,996	476,996	493,322	496,581
Provincial bonds	3,125,157	3,417,518	3,417,518	3,417,518	3,563,373	3,888,283
Federal bonds	349,478	409,225	409,225	409,225	387,505	451,060
Corporate bonds	1,816,883	1,934,920	1,934,920	1,934,920	2,130,508	2,063,407
	<u>5,754,382</u>	<u>6,238,659</u>	<u>6,238,659</u>	<u>6,238,659</u>	<u>6,574,708</u>	<u>6,899,331</u>
Equities						
Canadian common stock	1,825,088	2,127,310	2,127,310	2,127,310	1,762,020	1,570,004
	<u>7,579,470</u>	<u>8,365,969</u>	<u>8,365,969</u>	<u>8,365,969</u>	<u>8,336,728</u>	<u>8,469,335</u>
		Within 1 year \$	Over 1 to 5 years \$	Over 5 to 10 years \$	Over 10 years \$	Carrying value \$
Bonds – maturity profile						
Bonds	260,971	2,498,985	2,225,809	1,252,894	6,238,659	
	4%	40%	36%	20%	100%	

5 Accounts payable and accrued liabilities

	2009 \$	2008 \$
Claims (note 10)	207,000	192,000
Trade	202,632	103,017
Reinsurer	37,324	8,451
	<u>446,956</u>	<u>303,468</u>

The claims payable represents the provision for incurred but not reported claims (2009: \$207,000, 2008: \$186,000) and unpaid fire claims at December 31 (2009: Nil, 2008: \$6,000).

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

6 Term loan

	2009	2008
	\$	\$
Term loan	1,652	5,615

The Company has assigned the motor vehicle as security for the loan. The loan is non-interest bearing, with monthly payments of \$330. The term loan will be repaid during fiscal 2010.

7 Operating line of credit

The Company has access to an unsecured operating line of credit in the amount of \$200,000, of which \$Nil is used at December 31, 2009.

8 Investment income

	2009	2008
	\$	\$
Interest	353,503	381,084
Dividends	57,569	60,547
Gain (loss) on sale of investments	(66,202)	21,848
	<u>344,870</u>	<u>463,479</u>

9 Reinsurance

The Company's reinsurance treaty is an excess of loss treaty. The Company holds 100% of the unearned premiums and will pay a quarterly fee, adjusted annually, to the reinsurance company.

The Company follows the policy of underwriting and reinsuring contracts of insurance which, in the main, limits the liability of the Company to a maximum amount on any one property loss to \$145,000 or liability loss to \$145,000.

The Company's net retention amount is \$50,000 on property and liability claims.

Despite reinsurance agreements, claims from policyholders remain the primary responsibility of the Company.

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

10 Effects of discounting

The Company discounts its best estimates of claims provisions at a discount rate based upon the expected return on its investment portfolio of assets with appropriate assumptions for interest rates relating to reinvestment of maturing investments.

To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience, and to provide greater comfort that the actuarial liabilities are adequate to pay future benefits, the company includes Provisions for Adverse Deviations (PFADs) in some assumptions relating to claim development, reinsurance recoveries and future investment income. The PFADs selected are in accordance with the standards of practice of the Canadian Institute of Actuaries.

The following table shows the effects of discounting on 2009 unpaid claims and adjustment expenses.

	Undiscounted \$	Effect of present value \$	PFADs \$	Discounted \$
Provision for unpaid claims and adjustment expenses	195,000	(3,000)	15,000	207,000
Reinsurers' share of unpaid claims	(57,000)	-	(2,000)	(59,000)
	<u>138,000</u>	<u>(3,000)</u>	<u>13,000</u>	<u>148,000</u>

11 Contingent liability

Litigation proceedings are currently ongoing against the Company. It is not possible to predict the outcome of the litigation. The action and claim is being contested. There can, however, be no assurance that a favourable decision will be achieved in the proceedings against the Company. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

12 Financial instrument risk management

Fair value of financial instruments

The following table sets out the approximate fair values of financial instruments as at the balance sheet date:

	Carrying value \$	Fair value \$
Cash resources	338,680	338,680
Account receivable	154,808	154,808
Other receivables	59,634	59,634
Investments (note 4)	7,579,470	8,365,969
Accounts payable and accrued liabilities	446,956	446,956
Reserve for unearned premiums	655,034	655,034
Term loan	1,652	1,652

Fair value of items, which are short-term in nature or are variable instruments, have been deemed to approximate their carrying value. Fair value of bonds with fixed interest rates and equities have been determined using the quoted market value for these marketable securities as at December 31, 2009.

The above noted fair values, presented for information only, reflect conditions that existed only at December 31, 2009 and do not necessarily reflect future value or amounts, which the Company might receive if it were to sell some or all of its loan or investment to a willing buyer in a free and open market.

Interest rate risk

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally the Company's investment income will move with interest rates over the medium to long-term with short term interest rate fluctuating creating unrealized gain or losses in Other Comprehensive Income.

At December 31, 2009, a 1% move in interest rates, with all the other variables held constant, could impact the market value of bonds by \$363,714. For bonds that the Company did not sell during the year, the change during the period and changes prior to the period would be recognized as Other Comprehensive Income during the period.

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

12 Financial Instrument Risk Management (continued)

Credit risk

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio remains very high quality. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

Reinsurance is placed with FMRP, a Canadian registered reinsurer. Management monitors the creditworthiness of FMRP by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

Accounts receivables are short-term in nature and are not subject to material credit risk.

Market risk

The Company utilizes the prudent person approach to asset management as required by the Insurance Companies Act. An investment policy is in place and is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

The Company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index. A 1% movement in the stock markets with all other variables held constant would have an estimated affect on the fair values of the Company's Canadian stocks of \$22,300.

The Company does not have any foreign exchange risk.

Liquidity risk

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

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

13 Capital Management

Capital is comprised of the Company's member's equity. As at December 31, 2009 the Company's member's equity was \$8.7 million (2008 - \$9.2 million). The Company's objectives when managing capital are to protect its policyholders, to safeguard the Company's ability to continue as a going concern, to maintain financial strength and protect its claims paying abilities, to maintain creditworthiness, and to ensure reasonable returns for members over the long term. Management assists in the development of the capital strategy and oversees the capital management process of the Company. Capital is managed using both regulatory capital measures and internal metrics.

Canadian property and casualty insurance companies are regulated by the Office of the Superintendent of Financial Institutions (OSFI). The minimum solvency ratio targeted by the Company is higher than the regulatory minimum capital test (MCT) requirement of 150%. As at December 31, 2009, the Company has a MCT ratio of 1,602% (2008 - 2,065%) and aggregate available capital in excess of required capital of \$8.0 million (2008 - \$8.7 million).

To measure the degree to which the Company is able to meet regulatory solvency requirements, the appointed actuary must present an annual report to the Board and management on the Company's current and future solvency. This report may indicate mitigating measures that may be employed in managing risks to the future financial position and may also make formal recommendations to the company to aid in this process.

14 Other net loss

This amount represents the net cost of hosting the MAMIC conference and is calculated as follows:

	\$
Revenue – MAMIC	51,470
Expenses – MAMIC	<u>134,645</u>
Other net loss	<u>83,175</u>

15 Commitment

During the year, the Company established the Pictou Mutual Community Foundation and has contributed \$329,853 to the Foundation which is included in donation expense. The Company has committed a total funding of \$1,000,000 to the Foundation. The remaining balance of \$670,147 will be donated to the Foundation in two instalments as follows:

	\$
2010	335,074
2011	335,073

Pictou County Farmers' Mutual Fire Insurance Company

Notes to Financial Statements

For the year ended December 31, 2009

16 Severance costs

During fiscal 2009, the Company provided severance to two departing agents in recognition for their years of service to the Company. The agents' departure occurred during fiscal 2009. The severance costs totalled \$140,000, which is included as an Administrative expense under Salaries and benefits on the Statement of Net (Loss) Earnings.

A total of \$120,000 was paid during fiscal 2009. The remaining \$20,000 is recorded as payable at December 31, 2009. This \$20,000 will be paid in two instalments of \$10,000 each during fiscal 2010 and 2011.

17 Comparative figures

Comparative figures have been reclassified, where necessary, to reflect the current year's presentation.

Pictou County Farmers' Mutual Fire Insurance Company Schedule 1
Schedule of Expenses
For the year ended December 31, 2009

	2009 \$	2008 \$
Net claims and adjustment expenses		
Gross claims and adjustments	621,122	175,984
Adjustments for reinsurance	(78,191)	(63,829)
	<u>542,931</u>	<u>112,155</u>
Administrative		
Advertising	77,404	45,262
Agents' commissions	188,141	161,566
Amortization	43,321	41,299
Bad debt	15,207	-
Bank charges and service fees	34,303	2,320
Building maintenance	7,634	6,261
Computer	13,035	12,413
Director's fees	31,143	28,050
Directors' and officers' liability insurance	3,948	2,873
Donations	335,945	6,427
Dues and fees	17,306	19,036
Education expense	28,989	30,013
Insurance	8,572	12,227
Marketing materials	7,912	11,277
Office of the Superintendent fees	10,000	10,000
Other net loss (note 14)	83,175	-
Penalties	-	(25,400)
Postage	4,238	2,714
Power	4,498	3,945
Professional fees	193,981	149,643
Printing and stationery	13,544	8,882
Rent	8,792	6,215
Salaries and benefits	581,127	371,112
Scholarships	26,500	1,500
Software development	101,309	-
Sundry	22,388	10,419
Taxes	101,382	32,956
Telephone	12,270	10,132
Travel and meals	30,956	32,383
	<u>2,007,020</u>	<u>993,525</u>