137th Annual Report, 2020

Portage Mutual Insurance™

Facing the storm with you

Table of Contents

Our Mission, Our Vision 2

About Us 3

Message From the Chair 4

Message From the CEO 5

Board of Directors 9

Executive Management 10

Management 11

We're Comfortable Being a Mutual 12

Financial Highlights 13

Independent Auditors' Report 15

Appointed Actuary's Report 16

Consolidated Statement of Financial Position 17

Consolidated Statement of Comprehensive Income 18

Consolidated Statement of Changes in Equity 19

Consolidated Statement of Cash Flows 20

Notes to Consolidated Financial Statements 21

Our Mission, Our Vision

Our Mission

Our mission is to provide our policyholders with financial security for their assets. We achieve this by providing our customers with exemplary service, our brokers with quality products at competitive prices, and our employees with a challenging and rewarding work environment.

Our Vision

Our vision is to attain capital levels and results so that our successes benefit our policyholders, brokers, employees, and the communities in which we operate.

About Us

We've been around a *long* time. We're not just closely tied to the communities we serve. We've faced adversity alongside them since the very beginning.

Portage Mutual Insurance was formed all the way back in 1884 based on the principles of security, integrity, hard work, and personalized service. Over the years, we've made a lot of changes. We've expanded our products and services and built a reputation as one of the most responsive property and casualty (P&C) insurers in Canada. But the principles that guide our company, and the friendly, small town style of doing business, remain the same.

We offer a wide range of insurance products that, in many cases, have helped set the industry standards for residential, automobile, commercial, and agricultural business coverage.

We serve over 142,000 policyholders and take pride in giving thoughtful, personalized service on each and every claim, earning us top ratings for claims service.

We market our products through more than 600 independent insurance brokers. These professionals are hand-picked for their commitment to excellence. We believe this partnership approach results in better service and value for our policyholders. Local, independent brokers know their communities and can help customers select the insurance coverage that best suits their needs.

We're proud to be a 100% Canadian-owned company. Prudent management of our investment portfolio over the years has helped to ensure our financial integrity and protect our policyholders' interests. We've weathered the test of time and as a result, we've come out stronger than ever.

Represented in our corporate logo is the bison, a prairie icon promoting our Manitoba roots through all our offices across Canada. It's a fact that bison are heavily armoured against the elements and will stand facing the wind and even walk into oncoming storms. It's no wonder this majestic animal has been a part of our identity in one form or another since the beginning. In the combination of our logo and our company tagline *Facing the storm with you,* you'll find no better metaphor to describe a company whose purpose is to take on risk and protect people.

> **"We are proud to be a 100% Canadian-owned company.**

Message from the Chair

The COVID-19 pandemic has had a significant impact on our lives and the industry.

The Company had to react quickly and has adapted to the challenges of the pandemic. Our employees have adjusted in a very responsible and productive manner to the new virtual working realities. Many of our existing office jobs have transitioned to home working environments.

Technology is now more integral to our work and personal interactions than ever before. The future will be driven by technology.

Although COVID-19 has created economic uncertainty, we will not stray from our strategy. Historically low interest rates and rising reinsurance costs do create issues. Nevertheless, the Company, once again, achieved strong financial results. We remain very well capitalized and properly positioned to withstand the financial pressures exerted by COVID-19.

We are and will continue to remain a broker driven company. Our policyholders value their local brokers to explain and recommend the proper insurance coverage.

Normal business operations will eventually resume, however, none of us really know what the "new normal" will look like post pandemic. We are committed to incorporating the best part of what we have learned from the remote working arrangements imposed by COVID-19. That said, we will not lose sight of the importance of personal relationships and social interactions with our employees and business partners.

The pandemic has illustrated the importance of good leadership. That we have. On behalf of the Board of Directors, I wish to acknowledge our CEO John Mitchell, our COO Wayne Wyborn, our CFO Jason Hannah and the entire Portage Mutual staff for their dedication and expertise. The financial performance is a credit to their efforts in a challenging year.

> **"We are and will continue to remain a broker driven company.**

Rod E. Stephenson, *Q.C.*
Chair, Board of Directors
February 24, 2021

Message from the CEO

“The biggest challenge is to stay focused. It’s to have the discipline when there are so many competing things.” *~Alexa Hirschfeld*

A year of Focus

2020 was a year of pandemic fueled challenges. For us, the ability to remain focused on our service delivery was crucial. When it was clear that the safety of our staff required as many people to work from home as possible, our IT team enabled that reality within a week. Safely and securely we transitioned our Company from very limited remote capabilities to a workforce fully servicing our brokers and customers from their homes. We did experience a few wobbles during this transition, but they were technical issues not people issues and they were resolved quickly.

> **“…the ability to remain focused on our service delivery was crucial.**

Focused on our Customer

The exceptional service our customers receive is assisted by technology but powered by people. The employees provide the care, compassion and dedication that is required to provide a quality customer experience. During the year, some of our policyholders were challenged financially. We empowered our people to work with those individuals to find resolutions to those challenges. With understanding and empathy, they engaged with our policyholders to maintain security for their assets.

We believe that each member of our Company is a customer as well. Our collective efforts to provide exceptional customer service extends to each of us as employees. That commitment to working for each other further enforces the idea of customer service excellence. We treat our external customers the way we treat each other.

Financial Summary

2020 was a very successful year. Strong premium growth combined with excellent underwriting results helped improve our already robust financial position. Our financial strength allows us to face the challenges and seize the opportunities that the future provides.

Premiums written	–	$241,344
Investment income	–	$8,358
Underwriting profit	–	$20,857
Net after tax income	–	$23,142
Earned surplus	–	$197,374
Minimum Capital Test	–	361%

Message from the CEO

Operational Highlights

Underwriting

The ongoing COVID-19 pandemic had a significant, but overall positive impact, on our underwriting results for 2020. The primary impacts were as follows:

Automobile: Our auto loss frequency dropped in 2020 as commuting to work dropped off substantially. Loss severity remained consistent with long-term averages. The end result was a profitable auto underwriting account for the second year in a row. After receiving significant rate increases over the last few years, we anticipate few if any rate increases in 2021.

Property/Farm: The results of our property and farm portfolios were similar to prior years; however, the causes of loss were altered as policyholders spent more time at home. Water and theft losses were down significantly and were replaced by a substantial increase in fire losses.

Commercial: The Company had no significant exposure to business interruption claims caused by COVID-19. The hard market in commercial has continued and we are taking this opportunity to selectively grow our commercial book. We are doing our best to provide capacity to our broker partners within our risk appetite, and are requesting rate increases where warranted.

Looking forward to 2021, we anticipate that the effects of COVID-19 and the hard-commercial market will continue to influence our growth and profitability. The long-term impacts on our economy are still unknown; however, we anticipate the loss of some commercial business as some small business owners will not survive the current economic conditions.

Data and Analytics

Making data driven decisions has become a core philosophy at Portage Mutual. To this end, we have invested heavily in developing an actuarial team who can spearhead new analytics initiatives, whilst also providing empirical evidence to assist in informing our day to day business decisions.

Highlights from 2020 included: a new contingent commission program designed to better align our payouts with the most profitable brokers, an updated and more granular Overland Water model, and moving all homeowners' rates to technical rating.

In 2021, we will continue to refine the accuracy and efficiency of our current processes, and look to expand the scope of our in-house capabilities, which will further improve our responsiveness to market shifts.

Information Technology

2020 has been an energetic year for Information Technology at Portage Mutual, with our efforts primarily focused on our legacy system replacement program and enabling staff to work remotely during the pandemic.

We went live with our new claims module in April. A yeoman's effort by everyone involved brought that project in on time and under budget. We handed the new system over to our claims staff who continued to deliver exceptional customer service without disruption. Our goal, to minimize the negative impact the new software would have on our brokers and customers, was exceptionally met.

We are very excited to have started the second phase of our IT upgrade project. After several months of preparation, work began in earnest in the fall and will continue throughout 2021 with a live date of mid-year 2022. We have partnered with Deloitte to provide their

> **“Making data driven decisions has become a core philosophy…**

Insurcloud Insurance suite, featuring policy management and billing systems. As with the claims module, one of the goals of this next phase is to minimize the disruption for our brokers and policyholders when the system goes live.

2020 also saw the rapid move to remote working as the need to protect our staff increased with the pandemic severity. Our IT team was well-positioned to support remote work and quickly got staff set up to work from home. Work continued throughout the year to support, monitor and enhance remote access while protecting against cyber threats.

Other general initiatives included: improved network connections, data storage and security systems. As we look to 2021, our primary focus will continue to be our legacy system replacement. The team is also planning an upgrade to our corporate phone system,

Message from the CEO

supporting remote working and providing additional customer and broker support capabilities.

Risk and Compliance

In 2020, we enhanced the assessment of top risks in our risk register to better inform our risk responses. Key risks this year included: regulatory compliance risk, cyber security/technology risk, and risks arising from the pandemic such as market risk.

In 2021, we will update our regulatory compliance management framework and develop additional monitoring and reporting of our key risks. Risk mitigation efforts will focus on our legacy system replacement project, risk-based enhancements to IT security, and complying with International Financial Reporting Standards 17: Insurance Contracts for the January 1, 2023 revised effective date.

Claims

2020 was a year of challenges, many of which were caused by the pandemic. In the early part of 2020, we went live with Guidewire ClaimsCenter (GWCC). The rollout and training of the system had to be done remotely. The claims staff across the country eagerly embraced the new system. Their commitment to understand and adapt to new ways of processing claims while still maintaining our high standard of claims service was very satisfying. GWCC will enable the technology investment to further enhance our reputation for exceptional customer service.

The year saw turbulent weather abound across the country. However, we were fortunate as many of these events did not produce large numbers of claims for the Company. We only had two storms resulting in substantial losses. They were a Calgary, Alberta storm that generated $4,100,000 in losses and a Brandon, Manitoba wind and flood event resulting in claims of $2,400,000. Both of these storms occurred in June.

In 2021, we will continue to improve our claims offerings by identifying efficiencies and process optimisation created by the new GWCC. As the pandemic effects subside, we will plan to create a balanced approach to working remotely and transitioning a partial return to the offices.

We will also review our claims operations including enhancing our succession planning and leadership development.

Marketing and Business Development

In 2020, we continued to realize the enduring impact of our prior year marketing initiatives.

Our top line growth was 11%, as was our personal property growth. Commercial lines saw 15% year to year growth and our farm book increased by a very robust 11%.

We continued to appoint new brokers to enhance our distribution footprint.

While the pandemic did change our marketing practices, it also provided us insights into our value proposition.

The pandemic has highlighted the importance our dedicated team of marketing representatives provide to their brokers. While not able to interact in person, we supported our broker partners remotely through online training, assistance on complex risks, and effectively dealing with payment issues for our policyholders.

> **“While the pandemic did change our marketing practices, it also provided us insights into our value proposition.**

We standardized our marketing and branding processes to create a more consistent approach across the country. By taking the best practices from each region, we will improve our focus and marketing investment while enabling each region to maintain its unique approach to helping their brokers.

We reinforced our branding efforts behind our slogan: *Facing the storm with you.*

For 2021, we will initiate a project designed to modernize our website. An upgrade that is very much required.

We will explore the benefits of deploying social media platforms such as Facebook to better promote and communicate our message.

We have engaged with a third party to conduct surveys of our stakeholders to better understand their value expectations. This input will help direct our strategic marketing objectives.

Message from the CEO

Investments and Capital Management

Compliance and regulation continue to be a priority for the organization. IFRS is an ongoing challenge as we look to full compliance through implementation on January 1, 2023.

Our investment income experienced both sides of the market when we had an almost $12.5 million investment loss at the end of March only to recover and come in with investment income of $8.4 million at December 31, 2020. This compares to our investment income at the end of 2019 of $18.1 million. 2021 will see us introduce a new investment policy with increased benchmarking and overall governance.

Our MCT remains strong at 361% up from 325% at the end of 2019.

A Look Ahead

For better or worse, the effects of the pandemic will continue to impact our activities in 2021. We will stay with a hybrid approach as to where we work and, when it is safe to do so, will enthusiastically welcome our staff back to the office. We are eager to resume the family like dynamic we have worked hard to cultivate over the years, but with the added flexibility of working remotely part time.

We will continue to be mindful of the devastating effects the pandemic has created for our communities and work to help our employees and their communities deal with the mental health impacts imposed on them.

We will continue to be mindful of the devastating effects the pandemic has created for our communities…

I have mentioned in the past that we are caring, focused, and committed to our ideals. We work for our customers and we work for each other. That is what gets you through tough times such as these. Those principles were strongly reinforced in a year of many substantial challenges.

It is abundantly clear that the commitment of our people is a very impactful strategic advantage. Their resolve to maintain exceptionally high service levels was never deterred by the obstacles they faced. Our brokers and policyholders benefited from that resounding fortitude from our people *Facing the storm with you.*

We continue to invest for the future of our policyholders, our brokers, our dedicated employees, and our communities. I have the great fortune to lead Portage Mutual and the individuals who make up our "family". The investments they are making with their time and energy will help create our future successes. Successes that will be mutually shared.

John Mitchell, *FCIP, CRM*
President and Chief Executive Officer
February 24, 2021

Board of Directors

Craig Dunn

Karl Gerrand, B.SC, ICD.D

Brent Gilbert, B.ED, ICD.D

Paul Goodman, CPA, CA

John Mitchell, FCIP, CRM

Jim Moorhouse

Clarke Munro

Cathy Rolland, MBA, CFA

Alice Sayant, MBA, ICD.D

Doug Simpson, CPA, CA

Rod Stephenson, BA, LLB, Q.C.

Executive Management

John Mitchell, *FCIP, CRM*

President and CEO

John started his career at Portage Mutual in 1983 in the computer department and has enjoyed various roles in the organization including several positions in marketing, Vice President in 2006, and in 2010, became the President and CEO.

Over the years, John has worked diligently on his education earning his FCIP designation in 1999. He served as a board member of the General Insurance Statistical Agency from 2012 to 2016.

John has been married for 37 years to his wife Maureen. They have three daughters, Andrea, Kayla, and Deanna, and four grandchildren, Caleb, Abby, Millie, and Kaycee May.

John has been heavily involved in coaching at both the provincial and national levels. He's coached seven provincial championship teams in two different sports as well as a national championship softball team. In 2017, he was inducted into the Manitoba Softball Hall of Fame.

Wayne Wyborn, *FCIP, CRM, PFMM, ICD.D*

Vice President and COO

Wayne started his career with Portage Mutual in 1986 and currently holds the position of Vice President, COO and Corporate Secretary. He is responsible for overseeing the Company's operations across Canada.

Wayne has a diploma in Business Administration, is a fellow of the Insurance Institute of Canada, has a Risk Management designation from the Risk Management Society of Canada, a Professional Farm Mutual Manager designation from the National Association of Mutual Insurance Companies and an ICD.D designation from the Institute of Corporate Directors.

Wayne was elected as director for the Canadian Association of Mutual Insurance Companies (CAMIC) in October 2018. He also acts as a director for Portage Mutual Financial, and ONE Insurance Group. Wayne also sits on the advisory committee for the Institute of Catastrophic Loss Reduction (ICLR).

Wayne has been married to his wife Edina for 26 years. They have one son, Cole.

Jason Hannah, *CPA, CGA, MBA, ICD.D*

Treasurer and CFO

Jason started his career with Portage Mutual in 2002 and currently holds the position of Treasurer and CFO. Within his role, Jason is responsible for treasury and investments, financial accounting and reporting, taxation, payroll and regulatory/legislative matters related to these items.

Jason holds a Bachelor of Business Administration Degree (BBA) from Brandon University, Masters of Business Administration (MBA) from Laurentian University, an ICD.D designation from the Institute of Corporate Directors, and is a Chartered Professional Accountant (CPA). Jason serves as a director of Portage Mutual Financial, the holding company for Portage Mutual Insurance and two brokerages within Canada.

Jason and his wife Kristine live in Portage la Prairie, Manitoba where their nephew, Slater, resides with them. In his spare time, Jason enjoys hockey, harness horse racing, and travel.

Management

HEAD OFFICE

Portage la Prairie, Manitoba
749 Saskatchewan Avenue E

Corporate

J. Bhamra, *B.COMM(HONS), CPA, CGA*
Chief Risk Officer/Chief Compliance Officer

A. Anseeuw, *FCAS, FCIA*
Corporate Actuary

E. Thorsteinson, *CCP, ISP*
Chief Technology Officer

R. Owens, *BA(ADV), FCIP, CRM, CAIB(HONS)*
Director of Marketing, Brand, and Sales

D. Borodenko, *BA, CIP, CRM*
Corporate Commercial Insurance Manager

K.L. Wallis, *FCIP*
Corporate Claims Manager

REGIONAL OFFICES

Western Canada

Edmonton, Alberta
310–12220 Stony Plain Road NW

J. Gauvreau, *CIP*
Regional Manager

V. Ray, *CIP*
Regional Claims Manager

T. Fata, *B.SC, FCIP, CRM*
Underwriting Manager

Prairies

Portage la Prairie, Manitoba
749 Saskatchewan Avenue E

B. Mooney, *FCIP*
Regional Manager

M.R. Tarr, *CIP*
Regional Claims Manager

Ontario

St. Catharines, Ontario
201–25 Corporate Park Drive

P. DiTullio, *CIP, CRM*
Regional Manager

C. Lawson, *FCIP, CRM*
Regional Claims Manager

Atlantic

Halifax, Nova Scotia
211–1595 Bedford Highway

B.G. Houlihan, *B.COMM, M.ED, FCIP, CRM*
Regional Manager

C. Geddes, *CIP*
Regional Claims Manager

J. D. Landymore, *ACIP, CRM*
Marketing Manager

SERVICE OFFICES

Brandon, Manitoba
8–20 18th Street

Winnipeg, Manitoba
103–1661 Portage Avenue

We're Comfortable Being a Mutual

Locally minded

We're not just closely tied to the communities we serve. We're a part of them. We're your friends and neighbours. As such, we know that your home and your business aren't just buildings. They're a collection of your prized possessions, cherished memories, and hard earned achievements. That's why we offer a wide range of home, business, and farm products tailored to your life so you can go about the business of living it with peace of mind.

Although we're a national company, we believe insurance is a local matter, which is why we sell our products exclusively through over 600 professional insurance brokerages across Canada. We truly feel that a local broker's professional guidance is your best resource when shopping for insurance and we're committed to safeguarding this resource so you continue to have the best options at your disposal.

Portage Mutual Insurance™

Facing the storm with you

Mutually inclusive

Being mutual means we exist solely to meet the needs of our policyholders, not shareholders, which makes us uniquely focused on our customers. We focus on a long term view of our customers and their needs, not on the quarterly bottom line.

In keeping with a mutual frame of mind, our employees care about what is happening in the communities in which they operate and we regularly see multiple staff volunteer commitments in support of various charities across Canada. On top of that, we provide annual donations to over 150 organizations across the nation, many in cooperation with our broker partners who have a pulse on the needs of their respective communities.

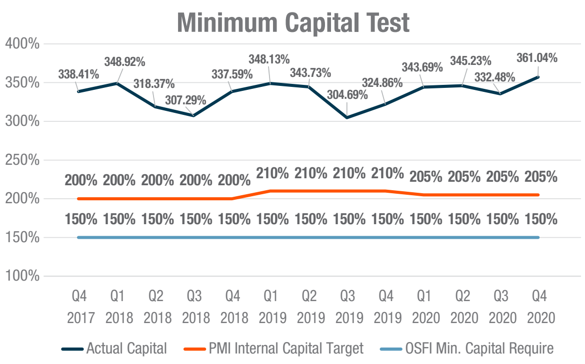
We're your friends and neighbours and we're all in this together. That's what being mutual is all about.

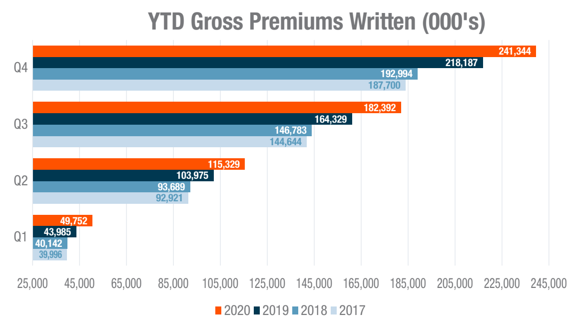
Financially sound

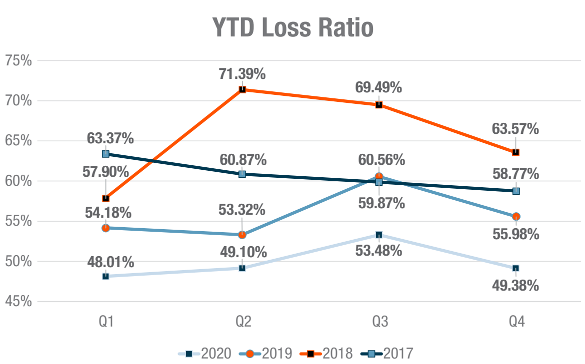
As a national company, we're regulated by the Office of the Superintendent of Financial Institutions (OSFI). They ensure that companies maintain certain performance standards. We're proud to say that we're well above the Canadian P&C required rating as dictated by OSFI and we're even well above the industry average. The Company has the added protection of achieving a great spread of risk, which further helps to maintain financial stability even in heavy loss years.

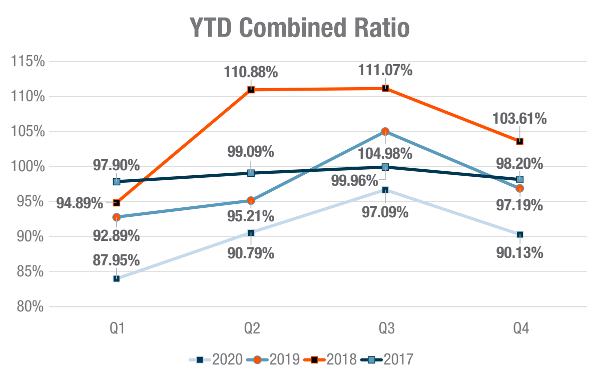
What this means is that if disaster strikes, you can rest assured that we have the resources to keep you covered and you can expect fast and fair claims service to help you put that special place back together. This is something you'd expect from a company that's been doing this since 1884.

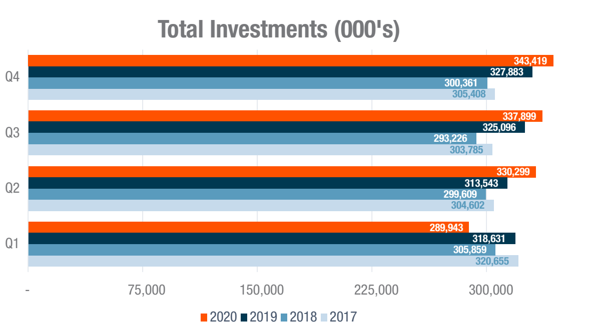
Financial Highlights

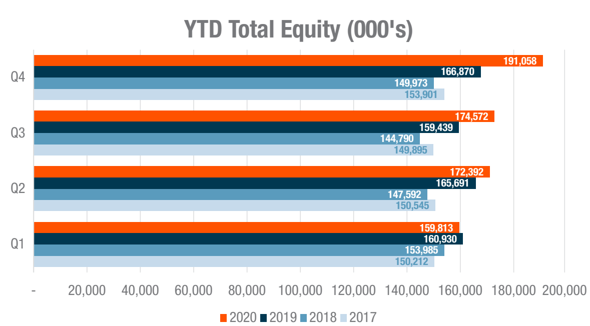






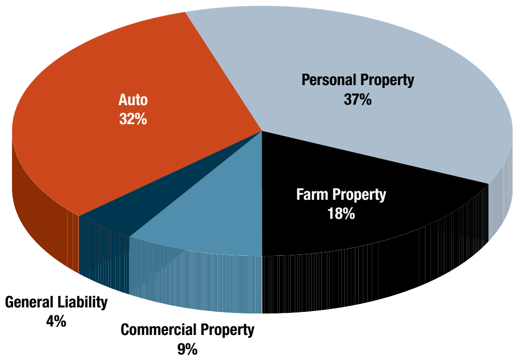




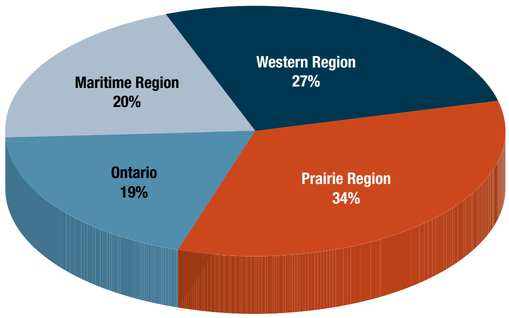


Financial Highlights

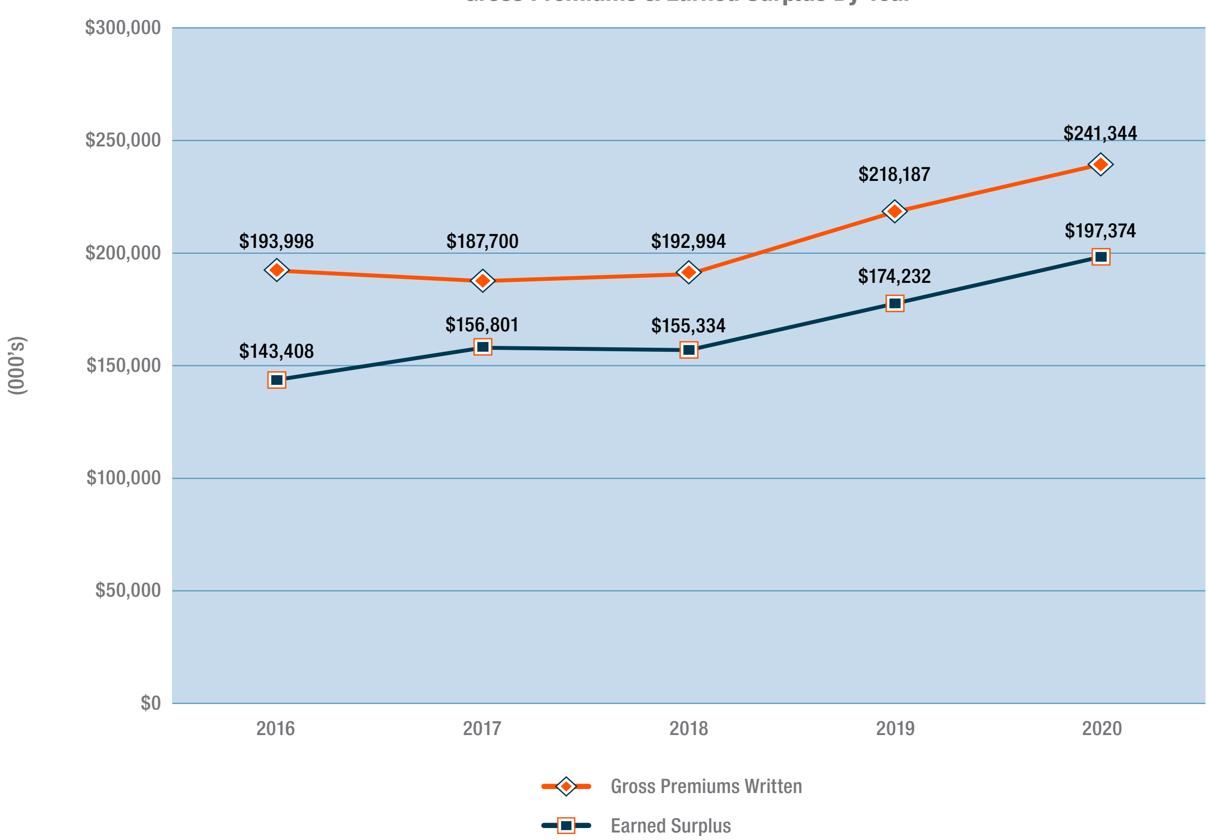
2020 Gross Premiums Written by Line of Business



2020 Gross Premiums Written by Region



Gross Premiums & Earned Surplus By Year



Independent Auditors’ Report

To the Policyholders of The Portage la Prairie Mutual Insurance Company:

Opinion

We have audited the consolidated financial statements of The Portage la Prairie Mutual Insurance Company (the “Entity”), which comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Entity 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 IFRS, 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 the Entity’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 the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ 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 auditors’ 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 the 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 the Entity'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 the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG *LLP*
Chartered Professional Accountants
Winnipeg, Canada
February 24, 2021

To the Policyholders of The Portage la Prairie Mutual Insurance Company:

I have valued the policy liabilities including reinsurance recoverables of The Portage la Prairie Mutual Insurance Company for its consolidated statement of financial position at 31 December 2020 and their changes in the consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

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

Mylène Labelle
Fellow, Canadian Institute of Actuaries
Toronto, Ontario
February 23, 2021

Consolidated Statement of Financial Position

As at December 31, 2020, with comparative information for 2019

In thousands of dollars	**2020**	**2019**
Assets		
Cash and cash equivalents	$ 14,491	$ 15,218
Prepaid expenses	1,096	-
Premium and other receivables	72,177	65,199
Amounts due from other insurers	7,169	8,375
Investment income due and accrued	2,257	2,332
Investments (note 5)	343,419	327,883
Income taxes recoverable	-	293
Deferred policy acquisition expenses (note 11)	30,500	24,000
Reinsurers' share of unearned premiums (note 10)	10,893	8,859
Reinsurers' share of provision for unpaid losses (note 12)	10,841	14,102
Investments in associates (note 5)	18,614	15,993
Deferred income taxes (note 14)	5,684	5,106
Intangible assets (note 7)	11,273	5,602
Property and equipment (note 6 and note 13)	6,991	7,726
Total assets	**$ 535,405**	**$ 500,688**
Liabilities and equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 12,553	$ 8,723
Amounts due to other insurers	17,179	14,304
Other payable	10,889	10,591
Income taxes payable	1,029	2,563
Unearned premiums (note 10)	127,909	115,742
Provision for unpaid losses (note 12)	154,464	169,484
Pension plan liability (note 8)	17,580	9,985
Post-employment benefit liabilities	2,744	2,426
Total liabilities	344,347	333,818
Equity:		
Earned surplus	197,374	174,232
Accumulated other comprehensive income	(6,316)	(7,362)
Total equity	191,058	166,870
Total liabilities and equity	**$ 535,405**	**$ 500,688**

Commitments and contingencies *(note 16)*

On behalf of the Board:

R.E. Stephenson, ***BA, LLB, QC***
J.G. Mitchell, ***FCIP, CRM***

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

In thousands of dollars	**2020**	**2019**
Insurance operations:		
Premiums written	$ 241,344	$ 218,187
Reinsurance premiums ceded	29,628	23,196
Increase (decrease) in unearned premiums	10,133	13,212
	39,761	36,408
Net premium earned	201,583	181,779
Fee, commission and other income	9,523	8,639
Total underwriting revenues	211,106	190,418
Claims and adjustment expenses	112,409	117,055
Less claims ceded to reinsurers	11,462	14,011
	100,947	103,044
General expenses	34,635	31,598
Commissions	46,002	42,448
Premium taxes	8,665	7,931
Total underwriting expenses	190,249	185,021
Underwriting income (loss)	20,857	5,397
Investment income (note 5)	8,358	18,114
Income (loss) before income tax	29,215	23,511
Income tax expense (recovery) (note 14)	7,104	5,728
Share of net income of associates (note 5)	1,031	1,398
Net income (loss)	**$ 23,142**	**$ 19,181**
Other comprehensive income (loss), net of taxes:		
Items that may be reclassified subsequently to net income:		
Net change in fair value of available for sale financial assets	5,710	2,809
Reclassification of net realized (gains) losses to income	220	(234)
Items that will not be reclassified subsequently to net income:		
Actuarial gains (losses) on pension plan	(4,745)	(4,418)
Actuarial gains (losses) on post-employment benefit	(139)	(158)
Total other comprehensive income (loss)	1,046	(2,001)
Total comprehensive income (loss)	**$ 24,188**	**$ 17,180**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019

In thousands of dollars	Earned surplus	Accumulated other comprehensive income (loss)	Total equity
Balance as at January 1, 2019	$ 155,334	$ (5,361)	$ 149,973
Net income (loss)	19,181	-	19,181
Other comprehensive income (loss)	-	2,575	2,575
IFRS 16 transition adjustment	(283)	-	(283)
Actuarial gains (losses) on pension and employee benefits	-	(4,576)	(4,576)
Balance as at December 31, 2019	174,232	(7,362)	166,870
Net income (loss)	23,142	-	23,142
Other comprehensive income (loss)	-	5,930	5,930
Actuarial gains (losses) on pension and employee benefits	-	(4,884)	(4,884)
Balance as at December 31, 2020	**$ 197,374**	**$ (6,316)**	**$ 191,058**

Accumulated other comprehensive income is composed of net unrealized gains (losses) on available-for-sale investments net of income taxes (recovery) of $2,728, ($576 at December 31, 2019) and actuarial gains (losses) on pension and employee benefits net of income taxes (recovery) of ($4,915) (($3,341) at December 31, 2019).

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

In thousands of dollars	2020	2019
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 23,142	$ 19,181
Items not involving cash:		
Amortization of bond premiums	837	768
Depreciation on property and equipment	580	693
Amortization on intangible assets	800	343
Deferred income taxes	995	(474)
Loss (gain) on disposal of capital assets	(30)	(62)
Net realized loss (gain) on disposal of investments	1,008	(459)
Change in unrealized loss (gain) on fair value through profit or loss financial assets	165	(7,775)
Change in non-cash balances relating to operations:		
Deferred policy acquisition expenses	(6,500)	(4,500)
Provision for unpaid losses, net of reinsurers' share	(11,759)	(7,119)
Unearned premiums, net of reinsurers' share	10,133	13,212
Payables and other	(8,392)	(5,276)
Income taxes	11,329	1,996
Proceeds of Interest	7,449	7,771
Proceeds of dividends	2,542	2,594
Cash provided by (used in) operating activities	32,299	20,893
Income taxes received (paid)	(9,502)	937
Net cash provided by (used in) operating activities	22,797	21,830
Investing activities:		
Purchase of capital assets	(380)	(377)
Purchase of other assets	(6,471)	(4,590)
Purchase of investments	(75,869)	(86,261)
Proceeds from the sale of capital assets	38	62
Proceeds on disposal of investments	59,158	63,752
Net cash provided by (used in) investing activities	(23,524)	(27,414)
Net change in cash and cash equivalents	(727)	(5,584)
Cash and cash equivalents, beginning of year	15,218	20,802
Cash and cash equivalents, end of year	**$ 14,491**	**$ 15,218**
Cash and cash equivalents is comprised of:		
Cash in bank	$ 11,112	$ 6,941
Cash equivalents	3,379	8,277
Cash and cash equivalents, end of year	**$ 14,491**	**$ 15,218**

See accompanying notes to consolidated financial statements.

1. Reporting organization

The Portage la Prairie Mutual Insurance Company (the "Company") is domiciled in Canada and the address of the Company's registered office is 749 Saskatchewan Avenue East, Portage la Prairie, Manitoba. The Company is incorporated under the Insurance Companies Act (Canada) without share capital under the laws of the Government of Canada and its principal business activities include the underwriting of property and casualty insurance. The Company is licensed in all provinces except Quebec. The consolidated financial statements of the Company as at and for the year ended December 31, 2020 comprise the Company and its wholly-owned subsidiary and the Company's interest in associates.

2. Basis of preparation

(A) STATEMENT OF COMPLIANCE:

The Company's consolidated financial statements have been prepared in accordance with Section 331(4) of the Insurance Companies Act which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP). International Financial Reporting Standards (IFRS) became Canadian GAAP for publicly accountable enterprises in Canada, effective January 1, 2011.

The accounting policies used to prepare these consolidated financial statements are based on IFRS issued by the International Accounting Standards Board (IASB) in effect on February 24, 2021, the same date the Board of Directors approved the statements.

(B) BASIS OF MEASUREMENT:

Presentation of the consolidated financial statements is in Canadian dollars, which is the Company's functional currency, and figures are rounded to the nearest thousands of dollars unless otherwise indicated. All figures are prepared on the historical cost basis except for the following items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value (note 4(c))
- available-for-sale financial assets are measured at fair value
- the pension plan liability is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

(C) USE OF ESTIMATES AND JUDGEMENTS:

The preparation of these consolidated financial statements in conformity with IFRS requires management of the Company to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent assets and liabilities – actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued)

In early 2020, the outbreak of the Coronavirus (COVID-19) and ensuing global pandemic along with the economic downturn have impacted the results of the Company. The negative effects include but are not limited to decline in interest rates, significant volatility in equity markets and frequency of insurance claims. The duration and impact of the COVID-19 pandemic is fully unknown at this time and can introduce additional uncertainty around estimates, assumptions and judgements used in preparing the financial statements.

Information about judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 8 - defined benefit obligation
- Note 12 - provision for unpaid losses
- Note 16 - commitments and contingencies

(D) LIQUIDITY:

The Company presents its statements of financial position in order of highest to least liquidity. Assets and liabilities expected to be settled or recovered greater than 12 months from the reporting date are detailed under note 20.

3. Adoption of new accounting standards

In October 2019, the IASB issued Amendments to IFRS 3: Business combinations (IFRS 3) which clarifies the definition of a business. The objective of the amendments is to assist entities in determining whether a transaction should be accounted for as a business combination or an asset acquisition.

On January 1, 2020, the Company adopted the amendments to IFRS 3 prospectively. The amendments had no impact on the Company's consolidated financial statements.

There are no other new standards, interpretations and amendments, effective for the first time from January 1, 2020 that have had a material effect on the consolidated financial statements.

4. Significant accounting policies

These consolidated financial statements have been prepared with the accounting policies set out below, applied consistently to all periods presented in the consolidated financial statements.

(A) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements of the Company include the wholly-owned subsidiary, Portage Mutual Financial Inc., and has been included from the date that control commenced until the date that control shall cease. The accounting policies of the subsidiary have been aligned with the policies adopted by the Company. All intra-company transactions and dividends have been eliminated upon consolidation.

4. Significant accounting policies (continued)

Investments in associates includes those entities which the Company holds between 15 and 50 percent of the voting rights and exerts significant influence but not control. Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Company's share of the income and expenses and equity movements of such entities from the date that significant influence commences, until the date that significant influence ceases.

(B) FOREIGN CURRENCY TRANSACTIONS:

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets denominated in foreign currencies are translated to the functional currency of Canadian dollars at the exchange rate as of the reporting date. Non-monetary assets denominated in foreign currencies are translated to the functional currency at the same date fair value is determined or, in the case of historical cost items, the exchange rate at the date of the transaction.

(C) FINANCIAL INSTRUMENTS:

Financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from an asset expire or are transferred in a transaction where substantially all the risks and rewards of ownership are transferred.

The Company has the following non-derivative financial assets: investment-grade fixed income securities (such as government and corporate bonds and debentures), exchange traded equity instruments and other invested assets. Except for investment in associates, non-derivative financial assets are classified as either: held-to-maturity financial assets (HTM), loans and receivables, available-for-sale financial assets (AFS), or financial assets at fair value through profit or loss (FVTPL).

Held-to-maturity financial assets

Financial asset debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value on the settlement date and subsequent to that, are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes loans to brokerages, trade and other receivables in this classification. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

4. Significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets are designated at fair value through profit or loss if classified as held for trading. These are recorded initially at fair value, with changes in fair value recorded in profit or loss. Common share equity investments have been designated in this category with purchase and sale decisions based on their fair value in accordance with the Company's documented investment strategy.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets of the Company. These comprise investments in equity and debt securities not classified in any of the previous categories. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value, other than impairment losses, are recognized in other comprehensive income. When investments are derecognized, the cumulative gains or losses in other comprehensive income are transferred to profit or loss.

Impairment

Financial assets not carried at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment which has occurred after initial recognition of an asset. Objective evidence of impairment includes a loss event that has had a negative effect on the estimated future cash flows of an asset and which can be reliably estimated. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

All individually significant loans and receivables and held-to-maturity investment securities are assessed for impairment. Impairment loss of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Any such impairment losses would be recognized in profit or loss and reflected in an allowance account against receivables. Should a subsequent event cause the amount of impairment loss to decrease, the decrease is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss transferred to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recorded in profit or loss. If subsequent to an impairment loss, fair value increases and the increase is relatable to an event after the impairment loss was recognized, then the impairment loss is reversed with the amount of the reversal recognized in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Investments in associates are tested for impairment when there is objective evidence that it may be impaired.

Financial liabilities

The Company initially recognizes financial liabilities on the trade date at which it becomes a party to the contractual provisions of the instrument. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

4. Significant accounting policies (continued)

The Company has non-derivative financial liabilities which consist of accounts payable and accrued liabilities. These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.

(D) CASH AND CASH EQUIVALENTS:

Cash consists of bank balances, net of outstanding cheques and cash equivalents which are highly liquid instruments maturing in 3 months or less. Bank overdrafts that are repayable on demand are included if utilized as a component of cash for the purpose of the statement of cash flows.

(E) INVESTMENT INCOME:

Investment income comprises interest and dividend income from invested debt and equity securities, and gains on the disposal of available-for-sale financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance cost includes impairment losses recognized on financial assets in profit or loss. Foreign currency gains and losses are reported on a net basis.

(F) PROPERTY AND EQUIPMENT:

Non-financial asset recognition, measurement and subsequent costs

The Company measures items of property and equipment at cost less accumulated depreciation and accumulated impairment losses. Cost comprises expenditures directly attributable to acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss. The subsequent cost of maintaining an item of property and equipment is recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis using rates as follows which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the assets:

Building	2%
Furniture and equipment	10%
Automobiles	30%
Data processing system	20%
Leasehold improvements	Over the term of the leases, 1–10 years

(G) INTANGIBLE ASSETS AND SUBSEQUENT EXPENDITURES:

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Other intangible assets are comprised of computer system

4. Significant accounting policies (continued)

software. Computer system software under development is not amortized until such time as the asset is available for use, after which it is amortized on a straight-line basis of 10% to 20% per year. Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

(H) IMPAIRMENT OF NON-FINANCIAL ASSETS:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each year end. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is determined as the estimated future cash flows discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Impairment losses recognized reduce the carrying amounts of the assets.

Impairment losses recognized for assets of prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(I) EMPLOYEE BENEFITS:

Defined benefit plan

The Company sponsors a defined benefit plan which covers substantially all of its employees. The Company's obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by a qualified actuary using the projected benefit method. When the calculation results in a benefit, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income, and reports them in equity.

4. Significant accounting policies (continued)

Post-employment benefits

The Company's obligation in respect of long-term employee benefits, other than the pension plan, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected benefit method. Any actuarial gains and losses are recognized in other comprehensive income, and reported in equity.

(J) INSURANCE CONTRACTS:

Revenue recognition

Insurance premiums written are deferred as unearned premiums and are recognized in income on a pro rata basis over the term of the policy. A reconciliation of the current and prior year's unearned premiums is detailed under note 10.

Deferred policy acquisition expenses

Acquisition expenses comprise commissions, premium taxes and other expenses which relate directly to the production of the business. Deferred policy acquisition costs related to unearned premiums are amortized to income over the periods in which the premiums are earned. The amount of deferred policy acquisition expenses is limited to its net realizable value by giving consideration to losses and expenses estimated to be incurred as the premiums are earned.

Reinsurance ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts. Unearned premiums on business ceded and estimates of amounts recoverable from reinsurers on unpaid losses are recorded as assets on the balance sheet. Amounts recoverable from reinsurers are estimated in a manner consistent with the related claims liabilities.

Provision for unpaid losses

The provision for unpaid losses represents an estimate for the full amount of all costs including investigations and the projected final settlements of claims incurred to the balance sheet date. This provision is calculated taking into consideration the time value of money and including an explicit provision for adverse deviations.

These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded in the current period.

(K) LEASE PAYMENTS:

A full discussion of the changes to lease accounting is provided in note 13 (Leases). Payments for certain short-term leases, low value asset leases and common area expenses are recognized in profit or loss on a straight-line basis over the term of the lease.

4. Significant accounting policies (continued)

(L) INCOME TAX:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences that do not affect accounting or taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(M) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments (IFRS 9)

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)), which replaces IAS 39: Financial instruments: recognition and measurement (IAS 39). The finalized IFRS 9 standard contains guidance on the following:

I. CLASSIFICATION AND MEASUREMENT

The classification of debt instruments is based on the cash flow characteristics and the business model in which the debt instrument is held. Debt instruments that have contractual cash flows representing solely payments of principal and interest can be classified as amortized cost when the objective of the business model is to receive contractual cash flows of principal and interest or fair value through other comprehensive income (FVOCI) when the objective of the business model is both to receive contractual cash flows of principal and interest and to realize cash flows from the sale of the debt instruments. The fair value through profit or loss (FVTPL) classification is applied for all other debt instruments or when specified elections are made.

Equity investments are generally measured at FVTPL. For equity investments that are not held for trading, however, an irrevocable election can be made at initial recognition to present fair value changes permanently in OCI. This means gains or losses are not reclassified to income upon disposal of an investment.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification and measurement.

4. Significant accounting policies (continued)

With regards to the classification of financial liabilities, IFRS 9 largely retains the existing requirements in IAS 39.

II. IMPAIRMENT

IFRS 9 introduces a single forward-looking expected credit loss model for debt instruments not measured at FVTPL. The new expected credit loss model will result in an allowance for credit losses being recorded on debt instruments regardless of whether there has been an actual loss event. The model has three stages:

- On initial recognition, a loss allowance is recognized and maintained equal to 12 months of expected losses;
- If credit risk increases significantly relative to initial recognition, the loss allowance is increased to cover the full life time expected credit losses; and
- When a financial asset is considered credit impaired, the loss allowance continues to reflect lifetime expected credit losses and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Changes in the expected credit loss allowance, including the impact of movement between 12 month and lifetime expected credit losses, will be recorded in income.

III. HEDGE ACCOUNTING

The new model for hedge accounting aligns hedge accounting with risk management objectives and strategy. An entity may choose to adopt the requirement under IFRS 9 or maintain the existing requirements of IAS 39.

IFRS 9 is generally effective for years beginning on or after January 1, 2018. In September 2016, the IASB issued an amendment to IFRS 4: Insurance contracts (IFRS 4) which provides optional relief to eligible insurers in respect of IFRS 9. The options permit entities whose predominant activity is issuing insurance contracts within the scope of IFRS 17:

a) a temporary exemption to defer the implementation of IFRS 9; or
b) the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9.

On June 25, 2020, the IASB issued amendments to IFRS 9. These amendments included the extension of the temporary exemption for IFRS 9 to annual reporting periods beginning on or after January 1, 2023. The Company has elected to apply the optional temporary relief and it will continue to apply IAS 39 until January 1, 2023. See note 5 (Financial Instruments) for additional disclosures which enable comparison between the Company and entities that applied IFRS 9 at January 1, 2018.

IFRS 17 Insurance Contracts (IFRS 17)

In May 2017, the IASB published IFRS 17, a comprehensive standard that establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 will replace IFRS 4.

4. Significant accounting policies (continued)

The measurement approach under IFRS 17 is based on the following:

I. A current, unbiased probability-weighted estimate of future cash flows expected to arise as the insurer fulfills the contract;
II. The effect of the time value of money;
III. A risk adjustment that measures the effects of uncertainty about the amount and timing of future cash flows; and
IV. A contractual service margin which represents the unearned profit in a contract and that is recognized in profit or loss over time as the insurance coverage is provided.

There will be new financial statement presentation for insurance contracts and additional disclosure requirements. Certain types of contracts, typically short-duration contracts, will be permitted to use a simplified measurement approach. IFRS 17 requires the Company to distinguish between groups of contracts expected to be profit-making and groups of contracts expected to be onerous. Additionally, for contracts in which cash flows are linked to underlying terms, the liability value will reflect that linkage.

IFRS 17 is to be applied retrospectively to each group of insurance contracts. If full retrospective application to a group of contracts is impracticable, the modified retrospective or fair value methods may be used.

On June 25, 2020, the IASB issued amendments to IFRS 17. These amendments included the deferral of the effective date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023. One of the amendments relates to the recording of reinsurance gains at initial recognition for onerous contracts. Initially, this amendment only included proportional reinsurance, however the final amendment includes all types of reinsurance. The Company continues to assess the impact of this amendment as part of the IFRS transition. All other amendments do not significantly impact the Company.

The extent of the impact of the above standards has not yet been fully determined. With regards to IFRS 9, the standard is expected to have a significant impact on classification and measurement of financial assets; however, the Company continues to assess the impact of IFRS 9 and IFRS 17 on its financial statements.

5. Financial instruments

Classification

The carrying amounts of the Company's financial instruments by classification are as follows:

	Available-for-sale	Held-to-maturity	Fair value through profit or loss	Loans and receivables	Other	Total
December 31, 2020						
Investments						
Bonds and debentures	$ 265,340	$ 1,749	$ -	$ -	$ -	$ 267,089
Common shares	-	-	66,954	-	-	66,954
Preferred shares	3,955	-	-	-	-	3,955
Other invested assets	-	-	-	5,421	-	5,421
Due from policyholders and reinsurers	-	-	-	79,346	-	79,346
Investment income accrued	-	-	-	2,257	-	2,257
Accounts payable and accrued liabilities	-	-	-	-	(12,553)	(12,553)
	$ 269,295	**$ 1,749**	**$ 66,954**	**$ 87,024**	**$ (12,553)**	**$ 412,469**
December 31, 2019						
Investments						
Bonds and debentures	$ 242,685	$ 2,130	$ -	$ -	$ -	$ 244,815
Common shares	-	-	73,053	-	-	73,053
Preferred shares	4,438	-	-	-	-	4,438
Other invested assets	-	-	-	5,577	-	5,577
Due from policyholders and reinsurers	-	-	-	73,574	-	73,574
Investment income accrued	-	-	-	2,332	-	2,332
Accounts payable and accrued liabilities	-	-	-	-	(8,723)	(8,723)
	$ 247,123	**$ 2,130**	**$ 73,053**	**$ 81,483**	**$ (8,723)**	**$ 395,066**

Other invested assets includes shareholder loans with related parties of $3,958 (2019: $3,556).

The amortized costs and fair values of the Company's investment portfolio are detailed as follows:

	December 31, 2020		December 31, 2019	
	Amortized cost	Fair value	Amortized cost	Fair value
Bonds and debentures	$ 256,653	$ 267,089	$ 242,392	$ 244,815
Common shares	53,816	66,954	58,159	73,053
Preferred shares	4,200	3,955	4,750	4,438
Other invested assets	5,421	5,421	5,577	5,577
Total investments	**$ 320,090**	**$ 343,419**	**$ 310,878**	**$ 327,883**

5. Financial instruments (continued)

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company's financial assets that are currently either classified as available-for-sale or held-to-maturity as at and for the year ending December 31, 2020, showing separately the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) and the financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (Non-SPPI):

	SPPI		Non-SPPI	
	Fair value	Change in fair value	Fair value	Change in fair value
Bonds and debentures	$ 267,089	$ 10,436	$ -	$ -
Preferred shares	-	-	3,955	(245)
Total	**$ 267,089**	**$ 10,436**	**$ 3,955**	**$ (245)**

The following additional disclosure required by IFRS 9 for eligible insurers, presents the credit risk ratings of SPPI financial assets at December 31, 2020:

Credit Rating	Credit Risk	December 31, 2020		December 31, 2019	
AAA	Lower	$ 18,159	7%	$ 15,877	6%
AA	Lower	52,715	20%	33,188	14%
A	Lower	177,784	66%	177,204	72%
BBB	Lower	18,431	7%	18,546	8%
Total		**$ 267,089**	**100%**	**$ 244,815**	**100%**

Impairment

Management has reviewed investments for objective evidence of impairment at December 31, 2020 and determined there to be none (2019: nil).

The maximum exposure to credit risk would be the fair value indicated.

Net investment income

Net investment income as at December 31, 2020, with 2019 comparatives, is comprised of the following:

	2020	2019
Interest	$ 7,449	$ 7,771
Dividends	2,542	2,594
Net realized gain (loss) on sale of investments	(1,008)	459
Change in unrealized gain (loss) on fair value through profit or loss for financial assets	(165)	7,776
Investment expenses	(460)	(486)
Total investment income	**$ 8,358**	**$ 18,114**

The coupon rates on bonds and debentures varies between 1.100% and 10.125% as at December 31, 2020 (2019: 1.816% to 10.125%). The maturity dates vary from January 2021 to December 2036.

5. Financial instruments (continued)

Investments in associates

The Company's subsidiary, Portage Mutual Financial Inc., holds investments in four insurance brokerages (2019: five insurance brokerages). Summary financial information for associates (equity accounted investees), adjusted for the percentage ownership held by the Company are as follows:

	December 31, 2020	December 31, 2019
Assets	$ 20,902	$ 20,651
Liabilities	$ 12,534	$ 12,984
Revenues	$ 10,701	$ 10,793
Profit (loss)	$ 1,031	$ 1,398

6. Property and equipment

	Land	Building	Data processing equipment	Furniture and equipment	Automobiles	Leasehold improvements	Total
Cost							
Balance at December 31, 2019	$ 622	$ 2,421	$ 4,331	$ 3,389	$ 1,269	$ 1,233	$ 13,265
Additions	-	48	192	-	140	-	380
Disposals	-	-	-	-	(123)	-	(123)
Balance at December 31, 2020	**$622**	**$ 2,469**	**$ 4,523**	**$ 3,389**	**$ 1,286**	**$ 1,233**	**$ 13,522**
Depreciation							
Balance at December 31, 2019	$ -	$ (634)	$ (4,010)	$ (3,018)	$ (897)	$ (1,178)	$ (9,737)
Depreciation for the year	-	(48)	(208)	(69)	(232)	(23)	(580)
Disposals	-	-	-	-	115	-	115
Balance at December 31, 2020	**$ -**	**$ (682)**	**$ (4,218)**	**$ (3,087)**	**$ (1,014)**	**$ (1,201)**	**$ (10,202)**
Carrying amounts							
At December 31, 2019	$ 622	$ 1,787	$ 321	$ 371	$ 372	$ 55	$ 3,528
At December 31, 2020	$ 622	$ 1,787	$ 305	$ 302	$ 272	$ 32	$ 3,320

7. Intangible assets

Computer System Software	2020	2019
Cost		
Balance at January 1	$ 20,059	$ 15,469
Additions	6,471	4,590
Disposals	-	-
Balance at December 31	**$ 26,530**	**$ 20,059**
Amortization		
Balance at January 1	$ (14,457)	$ (14,114)
Depreciation for the year	(800)	(343)
Disposals	-	-
Balance at December 31	**$ (15,257)**	**$ (14,457)**
Carrying amounts		
At January 1	$ 5,602	$ 1,355
At December 31	$ 11,273	$ 5,602

Amortization is recorded in the statement of comprehensive income under general expenses. Included in the software development costs above are $4,807 (2019: $4,227) which are still being developed and will not begin to be amortized until the system is in use.

8. Defined benefit obligation

The Company operates a registered defined benefit pension plan for its employees. The Company's registered plan specifies a monthly benefit upon retirement that is predetermined by a formula based on the employee's earnings history (final average earnings), tenure of service and age. The registered plan is indexed at the discretion of the Board of Directors. The registered plan is pre-funded by payments which require employee and employer contributions. Contributions to the registered plan are made to a separately administered trust fund and the employer contributions are determined by periodic actuarial calculations taking into account the recommendations of qualified actuaries. The registered plan is subject to minimum funding requirements by the Manitoba Pension Benefits Act. Pension plan assets are governed by the regulations of the Manitoba Pension Benefits Act. Responsibility for governance of the registered plan lies with the Pension Committee. The Pension Committee is comprised of representatives of the Company and elected plan participants in accordance with pension regulations.

The Company also operates a supplemental plan for its employees which provides a benefit upon retirement that is predetermined by a formula based on the employee's earnings history (final average earnings), tenure of service and age to members of the registered plan whose benefits are limited by the defined benefit limits under the Income Tax Act (Canada). Benefits of the supplemental plan are paid as a lump sum. The supplemental plan is unfunded. Responsibility for governance of the supplemental plan lies with the Company.

By design, the defined benefit registered and supplemental pension plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future price inflation. Pension and benefit risk is managed by establishing policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

8. Defined benefit obligation (continued)

It should be noted that both the defined benefit obligation as well as the plan assets fluctuate over time, which can result in the registered plan being underfunded. In the event the registered plan becomes underfunded, statutory regulations may require the Company to reduce the underfunded position through additional contributions to plan assets. The Company's funding policy for the registered plan is to make contributions in a year equal to or greater than those required by the applicable regulation. The most recent actuarial valuation of the registered plan for funding purposes was as of December 31, 2018. Generally, the registered plan requires a funding valuation every three years. However, when fluctuations in the defined benefit obligation and plan assets result in an underfunded position not meeting minimum funding requirements, a valuation is required annually until minimum funding requirements are achieved. The next required funding valuation of the registered plan will be as at December 31, 2021.

Components of defined benefit cost		**2020**		**2019**
Amounts recognized in profit or loss:				
Current and past service cost (employer portion)	$	2,260	$	3,122
Interest expense		1,937		1,857
Interest income		(1,653)		(1,674)
Administrative expenses and taxes		80		80
Total defined benefit cost included in profit or loss	**$**	**2,624**	**$**	**3,385**
Amounts recognized in other comprehensive income (OCI):				
Remeasurements – return on plan assets (excluding interest income)	$	(310)	$	(4,528)
Remeasurements – Administrative expenses paid from plan assets		31		37
Actuarial loss (gain) on demographic assumption changes		-		555
Actuarial loss (gain) on financial assumption changes		5,617		7,843
Actuarial loss (gain) arising from plan member experience		936		2,170
Total remeasurements included in OCI	**$**	**6,274**	**$**	**6,077**
Total defined benefit cost recognized in profit or loss and OCI	**$**	**8,898**	**$**	**9,462**

Cumulative loss (gain) recognized in OCI		**2020**		**2019**
Cumulative loss (gain) recognized in OCI	$	16,631	$	10,357

Change in defined benefit obligation		**2020**		**2019**
Defined benefit obligation at end of prior year	$	62,777	$	48,261
Current and past service cost (employer portion)		2,260		3,122
Interest expense		1,937		1,857
Plan participants' contributions		799		678
Actuarial loss (gain) on demographic assumption changes		-		555
Actuarial loss (gain) on financial assumption changes		5,617		7,843
Actuarial loss (gain) arising from plan member experience		936		2,170
Benefits paid		(1,452)		(1,709)
Defined benefit obligation at end of year	**$**	**72,874**	**$**	**62,777**

8. Defined benefit obligation (continued)

Change in plan assets		2020		2019
Fair value of plan assets at end of prior year	$	52,792	$	46,628
Interest income		1,653		1,674
Remeasurements – return on plan assets (excluding interest income)		310		4,528
Administrative expenses paid from plan assets		(110)		(118)
Employer contributions		1,302		1,111
Plan participants' contributions		799		678
Benefits paid		(1,452)		(1,709)
Fair value of plan assets, end of year	**$**	**55,294**	**$**	**52,792**

Amounts recognized in the statement of financial position		2020		2019
Defined benefit obligation	$	72,874	$	62,777
Fair value of plan assets		55,294		52,792
Excess (deficit)	$	(17,580)	$	(9,985)
Net asset (liability)	**$**	**(17,580)**	**$**	**(9,985)**

Weighted-average assumptions to determine defined benefit cost	2020	2019
Discount rate	3.15%	3.90%
Rate of salary increase	3.00%	3.00%
The average life expectancy (in years) at age 65 at the end of the reporting period:		
Male	22.7	22.5
Female	25.2	24.7

Weighted-average assumptions to determine defined benefit obligation	2020	2019
Discount rate	2.66%	3.15%
Rate of salary increase	3.00%	3.00%
The average life expectancy (in years) at age 65 at the end of the reporting period:		
Male	22.8	22.7
Female	25.3	25.2

Plan assets by asset category	2020	2019
Equity securities	57%	62%
Debt securities	30%	26%
Cash and cash equivalents	13%	12%
Total	**100%**	**100%**

The plan's assets do not include any investments in The Portage la Prairie Mutual Insurance Company as of December 31, 2020 and December 31, 2019.

Total employer cash payments for employee future benefits, consisting of cash contributed by the Company to its registered plan were $1,302 (2019: $1,111) and no cash payments were made for benefits paid under the unfunded

8. Defined benefit obligation (continued)

supplemental plan for 2020 and 2019. The expected employer cash payments for the fiscal year ending December 31, 2021 to the registered plan are $1,341 and nil for the supplemental plan.

Maturity Profile

Allocation of defined benefit obligation	**2020**	**2019**
Actives	66%	68%
Deferred vested	2%	1%
Retirees	32%	31%
Total	**100%**	**100%**
Weighted average duration of the defined benefit obligation	**18.5**	**18.6**

Sensitivity analysis

Measurement uncertainty exists in valuing the components of employee future benefits. Each assumption is determined by management based on current market conditions and plan experience information available at the time, however, the long-term nature of the exposure and future fluctuations in the actual results makes the valuation uncertain. Changes in the assumptions would impact the defined benefit obligation as follows:

	2020	**2019**
Discount rate 1% decrease	14,087	12,373
Future salary increases 1% increase	5,289	4,137
Increase in average life expectancy by 9 months	1,511	1,271

To measure the impact of a change in an assumption, all other assumptions were held constant. It is expected that there would be interaction between at least some of the assumptions.

9. Reinsurance

The Company follows the policy of underwriting and reinsuring contracts of insurance which limits the liability of the Company to a maximum on any one loss of $1,000 (2019: $1,000) in the event of a property claim and an amount of $1,500 (2019: $1,500) in the event of a liability claim. In addition, the Company has obtained reinsurance having an upper amount of $150,000 (2019: $150,000) which limits the Company's liability to $2,500 (2019: $2,500) in the event of a series of claims arising out of a single occurrence.

Reinsurance has been recorded in the statement of comprehensive income as follows:

	2020	2019
Gross premiums earned	$ 231,211	$ 204,975
Less earned premiums ceded	29,628	23,196
Net earned premiums	**$ 201,583**	**$ 181,779**

	2020	2019
Gross losses and expenses incurred	$ 112,409	$ 117,055
Less incurred losses and expenses ceded	11,462	14,011
Net claims and adjustment expenses	**$ 100,947**	**$ 103,044**

10. Unearned premiums

Reconciliations of unearned premiums balances for the current and prior periods are as follows:

	2020		2019	
	Gross	Ceded	Gross	Ceded
Balance at the beginning of the period	$ 115,742	$ 8,859	$ 101,781	$ 8,109
Premiums written and ceded during the period	241,344	29,628	218,187	23,196
Less premiums earned in income	229,177	27,594	204,226	22,446
Unearned premiums at the end of the period	**$ 127,909**	**$ 10,893**	**$ 115,742**	**$ 8,859**

11. Deferred policy acquisition expenses

Reconciliations of deferred policy acquisition expenses for the current and prior periods are as follows:

	2020	2019
Balance at the beginning of the period	$ 24,000	$ 19,500
Acquisition expenses incurred during the period	69,645	62,843
Less amortization of acquisition expenses during the period	63,145	58,343
Deferred policy acquisition expenses at the end of the period	**$ 30,500**	**$ 24,000**

12. Provision for unpaid losses

The Company's contract provisions and reinsurance assets as at December 31, 2020 and December 31, 2019 are as follows:

	2020	2019
Gross		
Case reserve provision for outstanding claims	$ 115,017	$ 126,112
Incurred but not reported	29,830	36,164
Provision for unallocated loss adjustment expenses	2,824	3,127
Discounting and provision for adverse deviations	6,793	4,081
Total	**$ 154,464**	**$ 169,484**
Ceded		
Case reserve provision for outstanding claims	$ 8,278	$ 12,248
Incurred but not reported	2,481	1,981
Provision for unallocated loss adjustment expenses	-	(1)
Discounting and provision for adverse deviations	82	(126)
Total	**$ 10,841**	**$ 14,102**
Net		
Case reserve provision for outstanding claims	$ 106,739	$ 113,864
Incurred but not reported	27,349	34,183
Provision for unallocated loss adjustment expenses	2,824	3,128
Discounting and provision for adverse deviations	6,711	4,207
Total	**$ 143,623**	**$ 155,382**

12. Provision for unpaid losses (continued)

The following is a summary of insurance contract liabilities by line of business as at December 31, 2020 and December 31, 2019:

	2020	2019
Gross		
Automobile	$ 93,855	$ 112,435
Property	37,428	36,028
Liability	16,388	16,940
Total undiscounted	147,671	165,403
Discounting and provision for adverse deviations	6,793	4,081
Total discounted insurance contract liabilities	**$ 154,464**	**$ 169,484**
Ceded		
Automobile	$ 3,065	$ 3,859
Property	7,671	10,350
Liability	23	19
Total undiscounted	10,759	14,228
Discounting and provision for adverse deviations	82	(126)
Total discounted insurance contract liabilities	**$ 10,841**	**$ 14,102**
Net		
Automobile	$ 90,790	$ 108,576
Property	29,757	25,678
Liability	16,365	16,921
Total undiscounted	136,912	151,175
Discounting and provision for adverse deviations	6,711	4,207
Total discounted insurance contract liabilities	**$ 143,623**	**$ 155,382**

(A) ASSUMPTIONS, CHANGES IN ASSUMPTIONS, AND SENSITIVITY ANALYSIS:

Assumptions and methodologies

The projected ultimate claims liabilities, including a provision for claims incurred but not reported (IBNR), are estimated using several methodologies involving consideration of incurred and paid loss development patterns and expected loss ratios, in a manner consistent with the prior year end. The provision for outstanding losses is also based upon the professional experience of the Company's claims department personnel and independent adjusters retained to handle individual claims, and the continually evolving and changing regulatory and legal environment. The establishment of the provision uses known facts and interpretation of circumstances, on a case by case basis, and is therefore a complex and dynamic process influenced by a large variety of factors as appropriate. These factors include the quality of data used for projection purposes, actuarial studies, and the effect of inflationary trends on future claims settlement costs and court decisions. In addition, time can be a critical part of the reserving determination, since the longer the span between the incidence of a loss and the final payment of the claims, the more potential for variability in the ultimate settlement amount. Short-term claims, such as property

12. Provision for unpaid losses (continued)

claims, tend to be more reasonably predictable than long-term claims, such as automobile liability and general liability claims.

Provisions are calculated in accordance with accepted actuarial practice in Canada and applicable regulatory requirements. The appointed actuary produces gross and net of reinsurance loss triangles by accident year and development period using the last 16 years of claims information. Loss development triangles are also produced using ratios of claims amounts at successive development ages.

The undiscounted claims liabilities are then discounted to the actuarial present value using a discount rate determined from the estimated market value based yield to maturity of the Company's own investment portfolio.

The provision for unpaid losses is calculated as the present value of expected future payments plus actuarially determined provisions for adverse deviations and is considered an indicator of fair value, as there is no organized market for the trading of insurance liabilities.

The provision for unearned premiums ensures adequate coverage over the expected level of future claims and expenses for policies still in force.

Changes in assumptions

As at December 31, 2020, the best estimate discount rate, determined from the Company's investment portfolio decreased by 120 basis points as compared to December 31, 2019, which resulted in an increase in the net claim provision by $3,118.

Sensitivity analysis

The provisions represent the best estimate of the claims liabilities at the reporting date. Provisions related to the Company's automobile line of business are subject to the greatest amount of uncertainty due to the greater length of claims resolution. If the factor affecting the tail of this line of business was increased by 1%, the net claims liabilities would increase by 2.7% (2019: 2.4%) and net profit for the Company would decrease by $3,916 (2019: $3,677). All other variability in the claims liabilities of the Company's other lines of business are considered to be less material.

(B) DISCOUNTING OF THE PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES AND RELATED REINSURANCE RECOVERABLES:

The provision for unpaid claims and adjustment expenses and related reinsurance recoveries is discounted using rates based on the projected investment income from the assets supporting the provisions, and reflecting the estimated timing of payments and recoveries. The discount rates used are 1.01% for 2020 and 2.16% for 2019 after the investment return rate margin for adverse deviations is applied.

12. Provision for unpaid losses (continued)

(C) PROVISION FOR UNPAID LOSSES BY RISK CATEGORIES:

	December 31, 2020		December 31, 2019	
Type of claim provision	Gross	Ceded	Gross	Ceded
Long-settlement term:				
General liability, automobile liability and personal accident	$ 102,332	$ 3,112	$ 118,807	$ 3,838
Facility association and other residual pools	11,136	-	11,166	-
	$ 113,468	$ 3,112	$ 129,973	$ 3,838
Short-settlement term:				
Property and automobile other	40,996	7,729	39,511	10,264
Total	**$ 154,464**	**$ 10,841**	**$ 169,484**	**$ 14,102**

(D) MOVEMENT IN PROVISION FOR UNPAID LOSSES:

Reconciliations of provision for unpaid losses for the current and prior periods are as follows:

	2020		2019	
	Gross	Ceded	Gross	Ceded
Balance at the beginning of the period	$ 169,484	$ 14,102	$ 174,411	$ 11,910
Losses incurred during the period	116,333	10,755	120,878	13,432
Change in the IBNR provision	(6,333)	500	(4,329)	577
Change in the ULAE provision	(304)	-	(130)	-
Change in the estimated impact of discounting including PFAD	2,712	208	636	2
Less claims paid	127,428	14,724	121,982	11,819
Provision for unpaid losses at the end of the period	**$ 154,464**	**$ 10,841**	**$ 169,484**	**$ 14,102**

12. Provision for unpaid losses (continued)

E) CLAIMS DEVELOPMENT:

The following summarizes claims development of the Company for the past ten years on a gross basis:

Gross

Accident year	Earlier	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimated ultimate claims costs												
At end of accident year		$ 123,214	$ 121,884	$ 141,157	$ 141,921	$ 124,191	$ 117,206	$ 100,392	$ 112,962	$ 112,459	$ 116,050	
One year later		122,486	122,094	136,991	139,506	125,935	118,311	102,422	111,103	110,046		
Two years later		125,083	123,977	136,233	135,540	127,167	118,202	99,962	108,374			
Three years later		123,679	121,006	133,443	134,277	126,050	118,787	97,062				
Four years later		121,133	118,271	134,012	132,697	126,157	115,887					
Five years later		122,252	119,138	133,278	130,081	124,107						
Six years later		120,393	118,882	132,737	128,349							
Seven years later		120,393	118,105	131,919								
Eight years later		120,109	117,894									
Nine years later		120,068										
Ten years later												
Current estimate of ultimate claims costs		120,068	117,894	131,919	128,349	124,107	115,887	97,062	108,374	110,046	116,050	
Cumulative payments to date		119,657	116,419	129,823	125,595	116,615	104,225	85,721	91,226	86,714	62,502	
Undiscounted claims liabilities before unallocated loss adjustment expenses (ULAE)		$ 411	$ 1,475	$ 2,096	$ 2,754	$ 7,492	$ 11,662	$ 11,341	$ 17,148	$ 23,332	$ 53,548	
Undiscounted unpaid ULAE		9	31	43	58	159	247	249	382	510	1,089	
Undiscounted claim liabilities including (ULAE)	$ 2,321	$ 420	$ 1,506	$ 2,139	$ 2,812	$ 7,651	$ 11,909	$ 11,590	$ 17,530	$ 23,842	$ 54,637	$ 136,357
Undiscounted liability in respect of prior years												178
Total all years												136,535
Effect of discounting												6,793
Facility association and other residual pools												11,136
Gross claims liabilities in the statement of financial position												**$ 154,464**

The following summarizes claims development of the Company for the past ten years on a net basis:

Net

Accident year	Earlier	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimated ultimate claims costs												
At end of accident year		$ 110,784	$ 111,740	$ 129,795	$ 132,224	$ 116,469	$ 107,686	$ 93,061	$ 103,608	$ 100,199	$ 105,964	
One year later		110,396	111,949	126,314	129,216	117,659	108,320	94,175	101,335	96,398		
Two years later		111,648	114,099	125,487	125,426	118,334	108,564	92,370	98,613			
Three years later		110,838	111,311	122,778	124,135	117,716	108,247	89,493				
Four years later		108,675	108,757	123,246	122,621	117,516	105,339					
Five years later		109,391	109,601	122,685	120,191	115,853						
Six years later		107,588	109,401	122,226	118,533							
Seven years later		107,631	108,653	121,396								
Eight years later		107,368	108,442									
Nine years later		107,344										
Ten years later												
Current estimate of ultimate claims costs		107,344	108,442	121,396	118,533	115,853	105,339	89,493	98,613	96,398	105,964	
Cumulative payments to date		106,946	107,000	119,335	115,803	108,589	95,058	78,610	82,231	76,161	56,101	
Undiscounted claims liabilities before unallocated loss adjustment expenses (ULAE)		$ 398	$ 1,442	$ 2,061	$ 2,730	$ 7,264	$ 10,281	$ 10,883	$ 16,382	$ 20,237	$ 49,863	
Undiscounted unpaid ULAE		9	31	43	58	159	247	249	382	510	1,089	
Undiscounted claims liabilities including ULAE	$ 2,290	$ 407	$ 1,473	$ 2,104	$ 2,788	$ 7,423	$ 10,528	$ 11,132	$ 16,764	$ 20,747	$ 50,952	$ 126,608
Undiscounted liability in respect of prior years												136
Total all years												126,744
Effect of discounting												6,711
Other liability recoverable from reinsurers												(968)
Facility association and other residual pools												11,136
Net claims liabilities in the statement of financial position												**$ 143,623**

13. Leases

IFRS 16 Leases (IFRS 16):

IFRS 16 was issued on January 13, 2016. The new standard replaced existing lease guidance in IFRS and related interpretations, requiring companies to recognize on-balance sheet a right-of-use asset, representing its right to use the underlying leased asset, and a corresponding lease liability, representing the obligation to make lease payments, for all leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the above recognition requirements, and may continue to be treated as operating leases.

IFRS 16 is effective for years beginning on or after January 1, 2019. The Company has applied the modified retrospective approach, under which the cumulative effect of adoption has been recognized in opening retained earnings as at January 1, 2019, with no restatement to the comparative figures. The lease liability is recognized as the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019. The value of the right-of-use asset corresponds to the lease liability, adjusted for payments made before the commencement date, lease incentives, and other items related to the lease agreement. Interest and depreciation expenses related to the reduction of the lease liability and right-of-use asset will be recorded throughout the remaining life of the lease in the consolidated statement of comprehensive income. Lease related right-of-use assets have been included in property and equipment and lease liabilities within the other payables section of the consolidated statement of financial position.

As a result of the transition to IFRS 16, impact on opening retained earnings was $283. Reconciliations of the opening to closing balances of the lease right-of-use assets and lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Lease right-of-use balance at the beginning of the period	$ 4,198	$ 3,004
Additional right-of-use assets recognized in year	(129)	1,585
Lease right-of-use asset depreciation recognized in year	(398)	(391)
Lease right-of-use balance at the end of the period	**$ 3,671**	**$ 4,198**

	December 31, 2020	December 31, 2019
Lease liability balance at the beginning of the period	$ 4,507	$ 3,286
Additional lease liabilities recognized in year	(108)	1,585
Lease liability principal payments recognized in year	(356)	(364)
Lease liability balance at the end of the period	**$ 4,043**	**$ 4,507**

For the period ending December 31, 2020, $556 was recognized for operating lease expenses under the general expenses line item in the statement of comprehensive income (2019: $536).

An amendment to the original IFRS 16 standard was made for annual reporting periods on or after June 1, 2020. This amendment allows the practical expedient for lessees to not consider eligible COVID-19 related rent concessions as lease modifications. Instead, the lessor is to account for those changes in payments as a change in consideration. The amendment had no impact to the Company's financial statements as the Company did not receive rent concessions related to COVID-19 in 2020.

14. Income tax expense

The provision for income taxes differs from the statutory marginal rate as certain sources of income are exempt from tax or are taxed at other than the marginal rate.

The Company's provision for income taxes, compared to statutory rates is summarized as follows:

	2020	2019
Provision for income taxes at:		
Statutory marginal income tax rate at 26.6% (2019: 27.3%)	$ 7,771	$ 6,419
Non-taxable investment income	(649)	(682)
Change in statutory marginal income tax rate	147	-
Effect of sale of MIG Insurance Investment	(152)	-
Other	(13)	(9)
Income tax expense (recovery)	**$ 7,104**	**$ 5,728**

The components of deferred income tax balances are as follows:

	2020	2019
Deferred income tax assets:		
Unpaid claims	$ 1,888	$ 2,121
Pension plan	4,540	2,726
Post-employment benefit	721	662
Other	98	84
Deferred income tax assets	7,247	5,593
Deferred income tax liabilities:		
Pension plan	-	-
Other	(1,563)	(487)
Deferred income tax liabilities	(1,563)	(487)
Deferred income taxes	**$ 5,684**	**$ 5,106**

The income tax recognized in other comprehensive income is as follows:

	2020			2019		
	Before tax	Income tax (expense) benefit	Net of tax	Before tax	Income tax (expense) benefit	Net of tax
Actuarial gains (losses) on pension plan	$ (6,274)	$ 1,529	$ (4,745)	$ (6,077)	$ 1,659	$ (4,418)
Actuarial gains (losses) on post-employment benefit	(183)	44	(139)	(218)	60	(158)
Change in unrealized gains (losses) on available-for-sale investments	7,782	(2,072)	5,710	3,864	(1,055)	2,809
Reclassification of net realized(gains) losses to income	300	(80)	220	(322)	88	(234)
	$ 1,625	**$ (579)**	**$ 1,046**	**$ (2,753)**	**$ 752**	**$ (2,001)**

14. Income tax expense (continued)

The movement in temporary differences related to deferred tax assets and liabilities during the years include:

2020	Balance, January 1	Recognized in profit or loss	Recognized directly in equity	Recognized in OCI	Balance, December 31
Unpaid claims	$ 7,769	$ (588)	$ -	$ -	$ 7,181
Pension plan	9,985	1,321	-	6,274	17,580
Post-employment benefit	2,426	135	-	183	2,744
Other	(1,477)	(4,095)	-	-	(5,572)
	$ 18,703	**$ (3,227)**	**$ -**	**$ 6,457**	**$ 21,933**

2019	Balance, January 1	Recognized in profit or loss	Recognized directly in equity	Recognized in OCI	Balance, December 31
Unpaid claims	$ 8,125	$ (356)	$ -	$ -	$ 7,769
Pension plan	1,633	2,275	-	6,077	9,985
Post-employment benefit	2,078	130	-	218	2,426
Other	(1,166)	(311)	-	-	(1,477)
	$ 10,670	**$ 1,738**	**$ -**	**$ 6,295**	**$ 18,703**

15. Role of the actuary and auditor

The actuary has been appointed pursuant to the Insurance Companies Act. With respect to the preparation of these financial statements, the actuary is required to carry out a valuation of the Company's policy liabilities, both gross and net of reinsurance, and to report thereon to the policyholders. The policy liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of insurance policies, and a provision for future obligations on the unexpired portion of insurance policies in force, which in turn may limit the amount of deferred policy acquisition expenses. The valuation is made in accordance with accepted actuarial practice in Canada, as well as any other matter specified in any direction that may be made by regulatory authorities. In performing the valuation of the policy liabilities, which are by their nature inherently variable, assumptions are made as to future loss ratios, trends, rates of claims frequency and severity, inflation, reinsurance recoveries, investment rates of return, expenses and other matters, taking into consideration the circumstances of the Company and the nature of the insurance coverage. The provisions do not include estimates for extraordinary future emergence of either new classes of claims or claims categories not sufficiently recognized in the historical claims database. It is certain that the actual development of claims and adjustment expenses will vary from the valuation and may, in fact, vary significantly. The actuary makes use of management information provided by the Company, and also uses the work of the independent auditors with respect to the verification of the underlying data used in the valuation. The Actuary's Report outlines the scope of her work and opinion.

The independent auditors have been appointed by the policyholders pursuant to the Insurance Companies Act to conduct an independent and objective audit of the financial statements of the Company in accordance with Canadian generally accepted auditing standards and report thereon to the policyholders. In carrying out their audit, the independent auditors also make use of the work of the actuary and her report on the Company's policy liabilities. The Independent Auditors' Report outlines the scope of their audit and their opinion.

16. Commitments and contingencies

The Company has purchased a number of annuities in settlement of claims. These annuities have been purchased from registered Canadian life insurers with the highest claims paying ability ratings as determined by outside ratings organizations. The Company has a contingent credit risk with respect to the failure of these life insurers and the fair value of the financial guarantees is $3,293 (2019: $3,286)

The Company has commitments for computer processing and support services expiring in 2045. The total of the future minimum payments for these services is $70,410.

From time to time, in connection with its operations, the Company is named in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome at this time, in the opinion of management, these matters are without substantial merit and therefore no provision has been made for them in the accounts.

17. Financial risk management

Risk management is carried out by the finance group and the Investment Committee under policies approved by the Board of Directors and senior management. The Company has written principles for overall risk management, as well as written policies covering specific areas, such as insurance risk, credit risk, liquidity risk, market risk, and the use of derivative and non-derivative financial instruments.

(A) INSURANCE RISK:

Insurance risk is the risk that the total cost of claims and acquisition expenses will exceed premiums received and can arise from numerous factors, including pricing risk, reserving risk, catastrophic loss risk and reinsurance coverage risk.

Pricing risk: This risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicality of the insurance market.

Reserving risk: These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded in the current period.

Catastrophic loss risk: This risk represents the exposure to losses resulting from multiple claims arising out of a single catastrophic event.

Reinsurance coverage risk: The Company relies on reinsurance to manage the underwriting risk; however, reinsurance does not release the Company from its primary commitments to its policyholders. The Company limits its exposure to individual reinsurers and regularly reviews the creditworthiness of reinsurers with whom it transacts.

17. Financial risk management (continued)

The following demonstrates the Company's geographic dispersion of revenues by provinces for the year ended December 31:

Gross premiums written by province

	BC	AB	SK	MB	ON	NB	NS	PE	NL	Total
2020										
Automobile	$ -	$ 27,274	$ 687	$ -	$ 27,219	$ 5,880	$ 14,311	$ 2,618	$ -	$ 77,989
Property	828	17,705	6,133	37,649	11,445	4,537	10,628	549	-	89,474
Farm	67	15,083	2,829	24,707	4	17	28	2	-	42,737
Commercial	389	2,568	1,960	4,946	4,084	2,264	4,863	286	-	21,360
Liability	167	1,445	581	2,818	2,367	636	1,653	117	-	9,784
Total	**$ 1,451**	**$ 64,075**	**$ 12,190**	**$ 70,120**	**$ 45,119**	**$ 13,334**	**$ 31,483**	**$ 3,572**	**$ -**	**$241,344**
2019										
Automobile	$ -	$ 23,592	$ 704	$ -	$ 25,569	$ 5,346	$ 14,211	$ 2,440	$ -	$ 71,862
Property	848	15,226	5,639	35,717	10,381	3,260	9,127	493	-	80,691
Farm	52	12,000	2,599	23,742	2	15	19	-	-	38,429
Commercial	347	2,124	1,531	4,098	3,804	1,929	4,369	190	-	18,392
Liability	150	1,220	491	2,619	2,198	552	1,498	85	-	8,813
Total	**$ 1,397**	**$ 54,162**	**$ 10,964**	**$ 66,176**	**$ 41,954**	**$ 11,102**	**$ 29,224**	**$ 3,208**	**$ -**	**$218,187**

(B) CREDIT RISK:

The Company is exposed to credit risk through its investments in fixed income securities, other invested assets and accounts receivable from policyholders and reinsurers. The Company monitors its exposure to individual issuers and classes of issuers of fixed income securities which do not carry the guarantee of a national or Canadian provincial government. Management believes the Company's credit exposure to any one individual policyholder is not material due to the geographic dispersion of revenues and diversified customer base. The Company monitors its exposure to credit risk with brokers and ensures that it works only with provincially licensed firms in good standing with their respective regulatory bodies.

The breakdown of the Company's fixed income portfolio by credit ratings from recognized external credit rating agencies is presented below:

	Fair values			
Credit Rating	**December 31, 2020**		**December 31, 2019**	
AAA	$ 18,159	7%	$ 15,877	6%
AA	52,715	20%	33,188	14%
A	177,784	66%	177,204	72%
BBB	18,431	7%	18,546	8%
Total	**$ 267,089**	**100%**	**$ 244,815**	**100%**

As at December 31, 2020, 93.10% of the Company's fixed income portfolio is rated 'A' or better, compared to 92.42% at December 31, 2019.

17. Financial risk management (continued)

As at December 31, 2020, financial assets of $354,113 (2019: $326,298) were exposed to credit risk consisting of accounts receivable, amounts due from other insurers, bonds and debentures, investment income due and accrued, and other invested assets. Management has reviewed accounts receivable for objective evidence of impairment and determined there to be none.

(C) LIQUIDITY RISK:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities. To mitigate these risks the Company ensures that assets and liabilities are broadly matched in both their duration and currency and actions are taken to balance positions within approved risk tolerance limits. In the consolidated financial statements, accounts payable and accrued liabilities, and unearned premiums have a contractual maturity of less than one year.

The table below summarizes the carrying value and fair value by the earliest contractual maturity of the Company's bonds and debentures.

Maturity profile	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
As at December 31, 2020					
Bonds and debentures	$ 21,741	$ 207,574	$ 29,203	$ 8,571	$ 267,089
As at December 31, 2019					
Bonds and debentures	$ 22,755	$ 180,829	$ 33,483	$ 7,748	$ 244,815

The Company has access to a line of credit of approximately $4,500. No amount was drawn on the line of credit as at December 31, 2020.

(D) MARKET RISK:

Market risk is the risk that changes in market prices, such as interest rates, equity market prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. Market risk generally includes currency risk, interest rate risk, and equity market fluctuations risk.

The Company monitors its exposure to individual issuers, foreign currencies and classes of issuers of equity instruments. A hypothetical change in 1% of foreign exchange would not have a material impact on the financial statements.

As at December 31, 2020, management estimates that an immediate hypothetical 100 basis point, or 1%, parallel increase in interest rates would decrease the market value of the fixed income securities by $8,093 (2019: $7,620), representing 3.05% of the $265,340 (2019: 3.14% of the $242,685) fair value fixed income securities portfolio, and decrease the value of net unpaid claims reserves by $2,872 (2019: $3,108). The net result would be a decrease in equity of $5,221 (2019: $4,512). Conversely, a 100 basis point decrease in interest rates would increase the market value of the fixed income securities and unpaid claims reserves and increase equity by the same amounts, respectively.

The Company's investments in equities are sensitive to market fluctuations. To properly manage the Company's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and

17. Financial risk management (continued)

investment manager risks are set and monitored. A decline of 10% in equity values, with all other variables held constant, will impact the Company's equity investments by an approximate loss of $6,695 (2019: $7,305).

The Company has no investments in derivative financial assets, collateral financial products or structured financial products.

Fair value

Carrying value of accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The carrying value of held-to-maturity bonds and debentures and other invested assets approximates fair value.

Fair value hierarchy

The Company has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy.

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Company's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

17. Financial risk management (continued)

Financial assets measured at fair value are categorized as follows:

	Level 1	Level 2	Level 3	Total
As at December 31, 2020				
Bonds and debentures				
Canadian government	$ -	$ 5,195	$ -	$ 5,195
Provincial	-	71,794	-	71,794
Corporate	-	188,351	-	188,351
Equity investments				
Canadian	69,233	912	-	70,145
Foreign	764	-	-	764
Total assets measured at fair value	**$ 69,997**	**$ 266,252**	**$ -**	**$ 336,249**
As at December 31, 2019				
Bonds and debentures				
Canadian government	$ -	$ 4,916	$ -	$ 4,916
Provincial	-	48,377	-	48,377
Corporate	-	189,392	-	189,392
Equity investments				
Canadian	76,558	933	-	77,491
Foreign	-	-	-	-
Total assets measured at fair value	**$ 76,558**	**$ 243,618**	**$ -**	**$ 320,176**

In 2019 and 2020, no transfers have occurred between any of the levels.

18. Capital management

Capital is comprised of the Company's earned surplus and accumulated other comprehensive income (AOCI). As at December 31, 2020, the Company's earned surplus was $197,374 (2019: $174,232) and AOCI was ($6,316) (2019: ($7,362)). The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities. Senior management develops the capital strategy and oversees the capital management process of the Company. Capital is managed using both regulatory capital measures and internal metrics.

The Portage la Prairie Mutual Insurance Company is regulated by the Office of the Superintendent of Financial Institutions (OSFI). The Minimum Capital Test (MCT) ratio targeted by the Company is 205% compared to the regulatory minimum capital test requirement of 150%. To measure the degree to which the Company is able to meet regulatory solvency requirements, the appointed actuary presents an annual report to the Audit Committee and management on the Company's current and future solvency. As at December 31, 2020, the Company had a MCT ratio of 361% (2019: 325%) and aggregate available capital in excess of required capital by approximately $116,493 (2019: $100,545).

19. Related party transactions

Transactions between the Company and related parties are summarized as follows:

(A) SUBSIDIARY:

The Company enters into related party transactions with entities that Portage Mutual Financial Inc. has made investments in. These transactions consist of interest income and commissions and are carried out in the normal course of operations and on normal market terms.

	2020	2019
Revenue		
Interest income	$ -	$ 1
Expenses		
Commissions	2,685	2,525

(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AMOUNTS:

	2020	2019
Accounts receivable	$ 248	$ 278

(C) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL:

The key management of the Company includes all senior management and directors. The total salaries and benefits paid to senior management and directors in 2020 were $1,713 (2019: $1,470).

None of the directors or senior management or their respective associates or affiliates is or has been indebted to the Company at any time in 2020 or 2019.

The Company sells insurance contracts to senior management and directors. This amounted to $21 in 2020 (2019: $25).

20. Assets and liabilities

The following presents assets and liabilities for which the Company expects to settle or recover in 12 months or greater as at December 31, 2020 and December 31, 2019.

	December 31, 2020	December 31, 2019
Assets		
Investments	$ 250,769	$ 227,637
Reinsurers' share of provision for unpaid losses	3,718	5,241
Liabilities		
Provision for unpaid losses	$ 83,484	$ 96,711

21. Rate regulation

The Company is subject to rate regulation with respect to its automobile insurance business, which comprises approximately 33% (2019: 33%) of net premiums written. The approach adopted towards auto rate regulation varies by province. In certain jurisdictions, a regulator will assess whether the proposed auto premiums are just and reasonable, do not impair the solvency of the insurer, are not excessive and are reasonably predictive of risk before the proposed premiums become effective.

Proposed premiums by insurers may be substantiated by extensive actuarial analysis, including projected loss costs and operating expense assumptions. Jurisdictions have specific rules regarding permissible variables and how they may be combined and the extent of statistical support required to justify their use.

Relevant regulatory authorities may, in some circumstances, require retroactive rate adjustments, which could result in a regulatory asset or liability. As at December 31, 2020 and 2019, the Company had no significant regulatory asset or liability.

22. COVID-19

COVID-19 has caused a world-wide pandemic, including being present in Canada. The pandemic has had a considerable impact both globally and locally, which has the potential to create financial stress on the Company.

Both federal and provincial governments have introduced legislative measures to combat the financial impact of the pandemic as well as combating the spread of the virus, including restrictions on gatherings and forced closures of several businesses.

As at the date these financial statements were issued, the situation is on-going and it could continue to have impacts on the Company in the near and longer term depending on how quickly the virus is eradicated.

Notes

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Portage Mutual Insurance™

Facing the storm with you

Trust.

We build it over time.

From our first handshake,

To the moments trust gets tested,

To those stormy times when we rally and we rebuild,

A home,

A business,

A life.

Trust is why we exist.

It's our daily delivery to you.

When we started in 1884, technology was changing.

New arrivals were strengthening the country.

A rough year could sink you.

The more things change, the more they stay the same.

People needed trust *then* just as they do *today.*

That's why we let our neighbours know every day,

That it's okay to take a risk.

Bad fortune will not mean failure.

When the storm hits, we'll face it together.

That's *trust.*