



Co-operators General Insurance Company

Unaudited Condensed Consolidated Interim Financial Statements

For the third quarter ended September 30, 2017

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED BALANCE SHEETS
(unaudited)

As at

	September 30, 2017	December 31, 2016
(in thousands of Canadian dollars)	\$	\$
Assets		
Cash and cash equivalents	89,498	44,529
Invested assets (note 3)	4,253,205	4,270,922
Premiums due	931,146	831,478
Income taxes recoverable	18,623	16,336
Reinsurance ceded contracts (note 5)	122,076	236,631
Deferred acquisition expenses	223,426	207,740
Assets held for sale	-	472
Deferred income taxes	98,188	98,587
Intangible assets (note 7)	74,030	70,502
Other assets (note 8)	67,115	77,259
	5,877,307	5,854,456
Liabilities		
Accounts payable and accrued charges	193,888	201,758
Income taxes payable	17	16,553
Insurance contracts (note 4)	3,913,619	3,818,688
Retirement benefit obligations	114,591	111,083
Deferred income taxes	4,280	4,229
Provisions and other liabilities (note 9)	126,643	123,263
	4,353,038	4,275,574
Shareholders' equity		
Share capital	226,939	222,720
Contributed capital	10,132	10,132
Retained earnings	1,168,312	1,218,439
Accumulated other comprehensive income	118,886	127,591
	1,524,269	1,578,882
	5,877,307	5,854,456

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

9 months ended September 30, 2017 (in thousands of Canadian dollars)	Share capital	Contributed capital	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
	\$	\$	\$	\$	\$
Balance, beginning of period	222,720	10,132	1,218,439	127,591	1,578,882
Net income	-	-	56,246	-	56,246
Other comprehensive loss	-	-	-	(8,705)	(8,705)
Total comprehensive income (loss)	-	-	56,246	(8,705)	47,541
Staff share loan plan	54	-	-	-	54
Preference shares issued/redeemed	4,165	-	-	-	4,165
Dividends declared (note 11)	-	-	(106,295)	-	(106,295)
Premium on redemption of preference shares	-	-	(78)	-	(78)
Balance, end of period	226,939	10,132	1,168,312	118,886	1,524,269

9 months ended September 30, 2016 (in thousands of Canadian dollars)	Share capital	Contributed capital	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
	\$	\$	\$	\$	\$
Balance, beginning of period	217,495	10,132	1,083,097	147,886	1,458,610
Net income	-	-	16,610	-	16,610
Other comprehensive income	-	-	-	30,160	30,160
Total comprehensive income	-	-	16,610	30,160	46,770
Staff share loan plan	(890)	-	-	-	(890)
Preference shares issued/redeemed	4,767	-	-	-	4,767
Dividends declared (note 11)	-	-	(6,130)	-	(6,130)
Premium on redemption of preference shares	-	-	(73)	-	(73)
Balance, end of period	221,372	10,132	1,093,504	178,046	1,503,054

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands of Canadian dollars except for earnings per share and weighted average number of common shares)	3 months ended September 30, 2017 \$	3 months ended September 30, 2016 \$	9 months ended September 30, 2017 \$	9 months ended September 30, 2016 \$
Direct written premium (note 10)	746,244	691,007	2,055,192	1,933,070
Ceded written premium (note 10)	(18,358)	(19,926)	(57,860)	(75,735)
Income				
Net earned premium (note 10)	656,312	614,802	1,894,291	1,779,727
Net investment income and gains (note 3)	38,359	80,023	136,663	148,302
Fees and other income	1,767	1,456	6,116	4,607
	696,438	696,281	2,037,070	1,932,636
Expenses				
Claims and adjustment expenses	469,911	418,219	1,294,021	1,663,174
Ceded claims and adjustment expenses	28,549	61,072	44,762	(329,965)
Premium and other taxes	24,591	20,960	67,127	58,128
Commissions and advisor compensation	108,770	104,605	325,294	307,901
Ceded commission	(1,088)	(1,006)	(3,204)	(3,089)
General expenses	78,202	72,299	240,217	220,966
	708,935	676,149	1,968,217	1,917,115
Income (loss) before income taxes	(12,497)	20,132	68,853	15,521
Income tax expense (recovery) (note 6)	(5,128)	3,807	12,607	(1,089)
Net income (loss)	(7,369)	16,325	56,246	16,610
Earnings (loss) per share	(0.40)	0.71	2.33	0.49
Weighted average number of common shares	21,458	21,376	21,458	21,376

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	3 months ended September 30, 2017 \$	3 months ended September 30, 2016 \$	9 months ended September 30, 2017 \$	9 months ended September 30, 2016 \$
(in thousands of Canadian dollars)				
Net income (loss)	(7,369)	16,325	56,246	16,610
Other comprehensive income (loss)				
Items that may be reclassified subsequently to the statement of income:				
Net unrealized gains (losses) on available-for-sale financial assets				
Bonds	(35,088)	16,399	(24,135)	60,115
Stocks	9,590	40,433	32,645	46,670
	(25,498)	56,832	8,510	106,785
Net reclassification adjustment for (gains) losses included in net income				
Bonds	33	(13,582)	274	(23,829)
Stocks	(6,473)	(34,831)	(20,579)	(42,025)
	(6,440)	(48,413)	(20,305)	(65,854)
Other comprehensive income (loss) before income taxes	(31,938)	8,419	(11,795)	40,931
Income tax expense (recovery)	(8,273)	2,410	(3,090)	10,771
Other comprehensive income (loss)	(23,665)	6,009	(8,705)	30,160
Comprehensive income (loss)	(31,034)	22,334	47,541	46,770

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	9 months ended September 30, 2017	9 months ended September 30, 2016
(in thousands of Canadian dollars)	\$	\$
Operating activities		
Net income	56,246	16,610
Items not requiring the use of cash (note 12)	(27,673)	(42,706)
Changes in non-cash operating components (note 12)	94,039	365,634
Cash provided by (used in) operating activities	122,612	339,538
Investing activities		
Purchases and advances of:		
Invested assets	(1,783,430)	(2,750,527)
Intangible assets	(5,786)	(6,493)
Property and equipment	(2,024)	(5,251)
Sale and redemption of:		
Invested assets	1,830,602	2,433,173
Intangible assets	-	146
Assets held for sale	738	2,215
Cash provided by (used in) investing activities	40,100	(326,737)
Financing activities		
Share capital - preference shares issued	8,140	7,616
Share capital - preference shares redeemed	(3,975)	(2,849)
Dividends paid (note 11)	(108,761)	(8,427)
Premium on redemption of preferred shares	(78)	(73)
Cash provided by (used in) financing activities	(104,674)	(3,733)
Net increase (decrease) in cash and cash equivalents, net of payments in transit	58,038	9,068
Cash and cash equivalents, net of payments in transit, beginning of period	26,588	86,912
Cash and cash equivalents, net of payments in transit, end of period	84,626	95,980
Cash	27,043	47,440
Cash equivalents	62,455	58,928
Net payments in transit, included in accounts payable and accrued charges	(4,872)	(10,388)
Cash and cash equivalents, net of payments in transit, end of period	84,626	95,980

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

1. Nature of operations

Unless otherwise noted or the context otherwise indicates, in these notes “Company” refers to the Consolidated Co-operators General Insurance Company. CGIC refers to the Non-Consolidated Co-operators General Insurance Company.

The Company is comprised of CGIC and its wholly owned subsidiaries: The Sovereign General Insurance Company (Sovereign), COSECO Insurance Company (COSECO), L'Équitable, Compagnie d'assurances Générale (L'Equitable), Co-operators Investment Limited Partnership (CILP) and Co-operators Insurance Agencies Limited (CIAL). 100% of the voting rights attached to all the outstanding voting shares or partnership interests of each of Sovereign, COSECO, L'Equitable, CILP and CIAL are held by the Company.

The registered office of the Company is 130 Macdonell Street, Guelph, Ontario. The Company is domiciled in Canada and is incorporated under the Insurance Companies Act (Canada). These condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2017 were authorized for issue in accordance with a resolution of the Audit Committee of the Board of Directors on October 26, 2017.

CGIC and certain of its subsidiaries are licensed to write all classes of insurance, other than life, in all provinces and territories in Canada. CGIC and certain of its subsidiaries are regulated by the federal insurance act. The Company must comply with reporting requirements of its regulator the Office of the Superintendent of Financial Institutions, Canada (OSFI).

The Company's common shares are 100% owned by Co-operators Financial Services Limited (CFSL), which in turn is owned 100% by The Co-operators Group Limited (CGL). The Class E preference shares, Series C are traded on the Toronto Stock Exchange under the symbol CCS.PR.C.

2. Summary of significant accounting policies

Basis of preparation and statement of compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, “Interim Financial Reporting”.

The consolidated balance sheets are presented on a non-classified basis. Assets expected to be realized and liabilities expected to be settled within the Company's normal operating cycle of one year would typically be considered as current. Certain balances are comprised of both current and non-current amounts.

Seasonality

The property and casualty insurance business is seasonal in nature. Premiums are generally written in annual renewal cycles, often in the second quarter each year. Weather conditions can vary significantly between quarters, with extreme weather conditions historically having an impact on the first and third quarters.

Segmented information

The Company's results of operations are reviewed by senior management and the Board of Directors based on one reporting and operating segment, property and casualty operations. Prior to 2016, results were reviewed and assessed at each legal entity within the consolidated group.

CO-OPERATORS GENERAL INSURANCE COMPANY

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

Significant accounting policies

These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2016, with the exception noted below.

In 2017, the Company reclassified net payments in transit from Borrowings to Accounts payable and accrued charges. These amounts relate to investment purchases and sales entered into, or other payments made by cheque, close to the period end, that are settled shortly after the period end. The change provides more relevant information about the nature of the Company's liabilities. Consequently, the comparative figures for Accounts payable and accrued charges has increased by \$17,941 to \$201,758 as a result of reclassification from Borrowings to conform to our current period presentation. Under the previous presentation, September 30, 2017 figures would have been \$189,016 for Accounts payable and accrued charges and \$4,872 for Borrowings.

The significant estimates and judgments made by management in applying accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements of the Company for the year ended December 31, 2016.

The Company has the following updates to information provided in the consolidated financial statements ended December 31, 2016 about the standards issued but not yet effective.

IFRS 17 "Insurance contracts"

IFRS 17 was issued in May 2017 and will replace IFRS 4 "Insurance Contracts". The intent of the standard is to establish consistent recognition, measurement, presentation and disclosure principles to provide relevant and comparable reporting of insurance contracts across jurisdictions.

The standard requires entities to measure insurance contract liabilities as the risk-adjusted present value of the cash flows plus the contractual service margin, which represents the unearned profit the entity will recognize as future service is provided. This is referred to as the general model. Expedients are specified, provided the insurance contracts meet certain conditions. If, at initial recognition or subsequently, the contractual service margin becomes negative, the contract is considered onerous and the excess is recognized immediately in the consolidated statement of income. The standard also includes significant changes to the presentation and disclosure of insurance contracts within entities' financial statements.

IFRS 17 is effective for annual reporting periods beginning on or after January 1, 2021. The standard is to be applied retrospectively unless impracticable, in which case a modified retrospective approach or fair value approach is to be used for transition. Early application is permitted where entities have also applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

3. Invested assets and net investment income and gains

The Company's invested assets are held within CILP, a wholly-owned subsidiary of the Company, established January 1, 2016.

a) Invested assets

	Fair value			Amortized cost	Carrying value
	AFS	Classified FVTPL	Designated FVTPL	Loans and receivables	Total
September 30, 2017	\$	\$	\$	\$	\$
Bonds					
Federal	490,257	-	28,854	-	519,111
Provincial	753,450	-	37,934	-	791,384
Municipal	40,951	-	-	-	40,951
Corporate	915,969	-	48,695	-	964,664
Asset-backed securities	48,910	-	5,335	-	54,245
International	47,651	-	-	-	47,651
	2,297,188	-	120,818	-	2,418,006
Stocks					
Canadian common	579,953	-	-	-	579,953
Canadian preferred	6,069	-	384,033	-	390,102
U.S. equities	172,859	-	-	-	172,859
Foreign equities	86,142	-	-	-	86,142
	845,023	-	384,033	-	1,229,056
Short-term investments	43,103	-	-	-	43,103
Limited partnerships	86,993	-	-	-	86,993
Foreign currency forward contracts	-	4,687	-	-	4,687
Mortgages	-	-	-	438,043	438,043
Other investments	-	-	-	10,324	10,324
Investment income due and accrued	-	-	-	22,993	22,993
Total invested assets	3,272,307	4,687	504,851	471,360	4,253,205

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(unaudited)

(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

	Fair Value			Amortized Cost	Carrying Value
	AFS	Classified FVTPL	Designated FVTPL	Loans and receivables	Total
December 31, 2016	\$	\$	\$	\$	\$
Bonds					
Federal	545,739	-	24,913	-	570,652
Provincial	739,478	-	27,045	-	766,523
Municipal	57,092	-	-	-	57,092
Corporate	916,030	-	67,427	-	983,457
Asset-backed securities	52,471	-	5,403	-	57,874
International	44,529	-	-	-	44,529
	2,355,339	-	124,788	-	2,480,127
Stocks					
Canadian common	516,418	-	-	-	516,418
Canadian preferred	7,227	-	355,650	-	362,877
U.S. equities	191,455	-	-	-	191,455
Foreign equities	70,636	-	-	-	70,636
	785,736	-	355,650	-	1,141,386
Short-term investments	33,126	-	-	-	33,126
Limited partnerships	72,193	-	-	-	72,193
Foreign currency forward contracts	-	563	-	-	563
Mortgages	-	-	-	513,256	513,256
Other investments	-	-	-	10,354	10,354
Investment income due and accrued	-	-	-	19,917	19,917
Total invested assets	3,246,394	563	480,438	543,527	4,270,922

b) Investments - measured at fair value

The Company is responsible for determining the fair value of its investment portfolio by utilizing market-driven measurements obtained from active markets where available, by considering other observable and unobservable inputs and by employing valuation techniques that make use of current market data. Assets and liabilities recorded at fair value in the consolidated balance sheets are measured and classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the significance and reliability of the inputs to the respective valuation techniques. The input levels are defined as follows:

Level 1 - Quoted prices

Represents unadjusted quoted prices for identical instruments exchanged in active markets. The fair value is determined based on quoted prices in active markets obtained from external pricing sources.

Level 2 - Significant other observable inputs

Includes directly or indirectly observable inputs other than quoted prices for identical instruments exchanged in active markets. These inputs include quoted prices for similar instruments exchanged in active markets and quoted prices for identical or similar instruments exchanged in inactive markets. For financial instruments that do not have directly observable inputs, the fair value is calculated as the present value of the future cash flows considering inputs other than quoted prices that are observable for the instruments, such as interest rates and yield curves, volatilities, prepayment spreads, credit risks and default rates where available; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. Consistent with market participants, the Company

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determines the fair values of foreign exchange forward contracts by using a discounted cash flow valuation technique using observable market data.

Level 3 - Significant unobservable inputs

Includes inputs that are not based on observable market data. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these assets or liabilities or related observable inputs that can be corroborated at the measurement date. Unobservable inputs require significant management judgement or estimation to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities. To verify pricing, the Company assesses the reasonability of the fair values by comparing to industry accepted valuation models, to movements in credit spreads and to recent transaction prices for similar assets where available.

The following summarizes how fair values were determined for recurring measurements as at:

	Level 1 - Quoted prices \$	Level 2 - Significant other observable inputs \$	Level 3 - Significant unobservable inputs \$	Total fair value \$
September 30, 2017				
AFS				
Bonds	-	2,297,188	-	2,297,188
Stocks	837,246	6,068	-	843,314
Short-term investments	-	43,103	-	43,103
Limited partnerships	-	-	86,993	86,993
	837,246	2,346,359	86,993	3,270,598
FVTPL				
Bonds	-	120,818	-	120,818
Stocks	384,033	-	-	384,033
Foreign currency forward contracts	-	4,687	-	4,687
	384,033	125,505	-	509,538
Total invested assets at fair value	1,221,279	2,471,864	86,993	3,780,136
FVTPL				
Foreign currency forward contracts (note 9)	-	1,538	-	1,538
Total financial liabilities at fair value	-	1,538	-	1,538

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(unaudited)

(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

	Level 1 - Quoted prices \$	Level 2 - Significant other observable inputs \$	Level 3 - Significant unobservable inputs \$	Total fair value \$
December 31, 2016				
AFS				
Bonds	-	2,355,339	-	2,355,339
Stocks	776,800	7,227	-	784,027
Short-term investments	-	33,126	-	33,126
Limited partnerships	-	-	72,193	72,193
	776,800	2,395,692	72,193	3,244,685
FVTPL				
Bonds	-	124,788	-	124,788
Stocks	355,650	-	-	355,650
Foreign currency forward contracts	-	563	-	563
	355,650	125,351	-	481,001
Total invested assets at fair value	1,132,450	2,521,043	72,193	3,725,686
FVTPL				
Foreign currency forward contracts (note 9)	-	3,142	-	3,142
Total financial liabilities at fair value	-	3,142	-	3,142

Excluded from these totals are AFS investments of \$1,709 (2016 - \$1,709) in shares of other co-operative entities which are carried at cost as they do not have quoted market prices in active markets.

The following table is a reconciliation of the Level 3 fair value measurements.

	Limited partnerships \$
9 months ended September 30, 2017	
Balance, beginning of period	72,193
Purchases	18,089
Sales and redemptions	(1,103)
Gains	
Unrealized included in OCI	(2,186)
Balance, end of period	86,993

No investments were transferred between levels during the period (2016 - \$nil).

The investments measured at fair value and classified as Level 3 as at September 30, 2017 are limited partnerships, which represent units of third-party managed private equity funds (Funds). The fair values of limited partnership investments are based on the net asset value (NAV) from each of the individual Funds most recent quarterly or annual financial statements. Limited partnership NAV's are derived by valuation techniques employed by each Funds management using unobservable inputs. The Company assesses the NAV disclosed in each Funds most recent financial statement using independent analytical procedures to ensure the amount is a reasonable representation of fair value. The Company does not assess the sensitivity of the fair value of limited partnerships because the inputs used by each fund manager to determine the NAV are unobservable and not readily available.

CO-OPERATORS GENERAL INSURANCE COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

The fair value of mortgages at September 30, 2017 is \$441,357 (September 30, 2016 - \$537,881). Mortgages measured at fair value, for disclosure purposes only, are classified as Level 3. The fair value of the mortgages has been calculated by discounting the expected cash flows of each instrument. The discount rate is determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the value of the properties that the mortgage is secured by and other indicators of creditworthiness.

c) Net investment income and gains

	3 months ended September 30, 2017 \$	3 months ended September 30, 2016 \$	9 months ended September 30, 2017 \$	9 months ended September 30, 2016 \$
Interest income	18,533	20,281	57,535	60,488
Dividend and other income	9,400	8,292	28,241	23,617
Investment expense	(1,546)	(1,747)	(4,686)	(4,440)
Net investment income	26,387	26,826	81,090	79,665
Net realized gains	9,248	44,832	21,918	59,173
Net foreign exchange gains	6,834	474	20,291	13,626
Change in fair value (note 12)	(2,886)	8,092	18,886	(65)
Impairment losses (note 12)	(1,224)	(201)	(5,522)	(4,097)
Net investment gains	11,972	53,197	55,573	68,637
Net investment income and gains	38,359	80,023	136,663	148,302

4. Insurance contracts

Insurance contracts are comprised of the following balances:

	As at September 30, 2017 \$	As at December 31, 2016 \$
Undiscounted unpaid claims and adjustment expenses	2,391,862	2,401,407
Effect of time value of money	(94,084)	(104,597)
Provisions for adverse deviation	218,078	233,509
Effect of discounting	123,994	128,912
Discounted unpaid claims and adjustment expenses	2,515,856	2,530,319
Unearned premiums	1,397,763	1,288,369
	3,913,619	3,818,688

The most recent set of annual consolidated financial statements provides a summary of the Company's unpaid claims and adjustment expense provision and unearned premiums by type of insurance contract both before and after reinsurance.

5. Reinsurance contracts

The Company follows the policy of underwriting and reinsuring contracts of insurance which limits the liability of the Company to a maximum amount on any one loss. In addition, the Company has obtained reinsurance which limits the Company's liability in the event of a series of claims arising out of a single occurrence.

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(unaudited)

(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

The Company's net retentions are as follows:

	As at September 30, 2017 \$	As at December 31, 2016 \$
Individual loss		
Property	7,500	7,500
General liability	5,000	5,000
Automobile	5,000	5,000
Catastrophe		
Maximum limit	1,450,000	1,300,000
Company retention	70,000	70,000

The maximum limit for catastrophe reinsurance is applied to all property and casualty insurance operations ultimately owned by CGL. After application of the catastrophe program, the Company's retention is \$70,000 in incurred claims.

The amounts presented under reinsurance ceded contracts in the consolidated balance sheets represent the Company's net contractual rights under reinsurance contracts and consist of the following:

	As at September 30, 2017 \$	As at December 31, 2016 \$
Reinsurance ceded assets		
Reinsurers' share of unearned premiums	6,817	6,088
Reinsurers' share of unpaid claims and adjustment expenses	157,595	297,923
Reinsurer receivables	11,016	26,944
	175,428	330,955
Reinsurance ceded liabilities		
Unearned reinsurance commissions	1,990	1,864
Payable to reinsurers	1,722	2,679
Unlicensed reinsurer deposits	49,640	89,781
	53,352	94,324
Reinsurance ceded contracts	122,076	236,631

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(unaudited)

(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

6. Income taxes

Reconciliation to statutory income tax rate

In the consolidated statements of income, the income taxes reflect an effective tax rate which differs from the statutory tax rate for the following reasons:

	9 months ended September 30, 2017		9 months ended September 30, 2016	
	\$	%	\$	%
Income before income taxes	68,853		15,521	
Income tax expense at statutory rates	18,590	27.0	4,191	27.0
Effects of:				
Non-taxable investment income	(5,988)	(8.7)	(5,091)	(32.8)
Non-deductible expenses	362	0.5	416	2.7
Change in income tax rates	175	0.3	(256)	(1.6)
Difference in effective tax rate of subsidiaries	(4)	-	-	-
Adjustment to tax expense in respect of prior years	(728)	(1.1)	(349)	(2.2)
Other	200	0.3	-	-
Income tax expense (recovery)	12,607	18.3	(1,089)	(6.9)

7. Intangible assets

	Goodwill	Licenses	Software	Broker Customer Lists	Total
	\$	\$	\$	\$	\$
Cost					
January 1, 2016	1,076	43,750	18,395	20,453	83,674
Additions	-	6,250	-	3,906	10,156
December 31, 2016	1,076	50,000	18,395	24,359	93,830
Additions	-	3,750	-	2,036	5,786
September 30, 2017	1,076	53,750	18,395	26,395	99,616
Accumulated amortization					
January 1, 2016	-	-	17,642	3,176	20,818
Amortization	-	-	255	2,255	2,510
December 31, 2016	-	-	17,897	5,431	23,328
Amortization	-	-	191	2,067	2,258
September 30, 2017	-	-	18,088	7,498	25,586
Net carrying value					
December 31, 2016	1,076	50,000	498	18,928	70,502
September 30, 2017	1,076	53,750	307	18,897	74,030

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(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

8. Other assets

	As at September 30, 2017 \$	As at December 31, 2016 \$
Due from related parties	28,778	29,191
Reinsurance assumed receivables	1,280	1,104
Property and equipment	24,600	28,521
Due from risk sharing pools	978	5,223
Investment in joint ventures	8,630	8,900
Prepaid expenses	93	785
Other	2,756	3,535
	67,115	77,259

9. Provisions and other liabilities

	As at September 30, 2017 \$	As at December 31, 2016 \$
Provision for advisor transition commissions	105,970	101,271
Advisor transition commission payable	11,627	11,753
Other provisions	4,472	2,208
Foreign currency forward contracts (note 3)	1,538	3,142
Other liabilities	3,036	4,889
	126,643	123,263

10. Net earned premium

	3 months ended September 30, 2017 \$	3 months ended September 30, 2016 \$	9 months ended September 30, 2017 \$	9 months ended September 30, 2016 \$
Direct written premium	746,244	691,007	2,055,192	1,933,070
Assumed written premium	2,125	2,122	5,624	7,604
Gross written premium	748,369	693,129	2,060,816	1,940,674
Ceded written premium	(18,358)	(19,926)	(57,860)	(75,735)
Net written premium	730,011	673,203	2,002,956	1,864,939
Change in gross unearned premium	(73,455)	(58,900)	(109,393)	(85,418)
Change in ceded unearned premium	(244)	499	728	206
Net earned premium	656,312	614,802	1,894,291	1,779,727

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(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

11. Share capital

The number of shares and the amounts per share are not in thousands.

For the nine months ended September 30, 2017, the Company issued 81,402 (2016 - 76,156) Class A preference shares, series B for \$8,140 (2016 - \$7,616) and redeemed 38,163 shares (2016 - 27,009) for \$3,816 (2016 - \$2,701). The Company redeemed 6,341 (2016 - 5,904) Class A preference shares, series A for \$158 (2016 - \$148).

Dividends are as follows:

	9 months ended September 30, 2017				9 months ended September 30, 2016			
	Declared \$	Declared per share \$	Paid \$	Paid per share \$	Declared \$	Declared per share \$	Paid \$	Paid per share \$
Class A, series A	157	0.94	320	1.88	166	0.94	335	1.88
Class A, series B	1,661	2.50	3,239	5.00	1,487	2.50	2,890	5.00
Class B	1	1.25	1	2.50	1	1.25	1	2.50
Class D, series A	35	2.50	69	5.00	35	2.50	69	5.00
Class D, series B	106	2.50	213	5.00	106	2.50	213	5.00
Class D, series C	108	2.50	216	5.00	108	2.50	216	5.00
Class E, series C	3,750	0.94	3,750	0.94	3,750	0.94	3,750	0.94
Class F, series A	458	0.94	916	1.88	458	0.94	916	1.88
Class G, series A	19	1.25	37	2.50	19	1.25	37	2.50
Common shares	100,000	4.66	100,000	4.66	-	-	-	-
	106,295		108,761		6,130		8,427	

During the nine months ended September 30, 2017, the Company declared and paid common dividends to its parent for \$100,000 (2016 - \$nil).

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(Amounts in thousands of Canadian dollars, except for per share, weighted average number of common shares and where otherwise noted)

12. Statement of cash flows - other non-cash items

	9 months ended September 30, 2017 \$	9 months ended September 30, 2016 \$
i) Items not requiring the use of cash		
Investing activities gains	(41,943)	(72,799)
Gain on disposal	(266)	(412)
Amortization and depreciation of:		
Bond premium/discount	14,243	14,228
Mortgage accretion	1,286	-
Intangible assets	2,258	1,812
Property and equipment	5,943	7,093
Change in fair value of FVTPL invested assets (note 3)	(18,886)	65
Impairment losses (note 3)	5,522	4,097
Deferred income taxes	392	(223)
Retirement benefit obligations	3,508	3,433
Loss from investments in joint ventures	270	-
	(27,673)	(42,706)
ii) Changes in non-cash operating components		
Other		
Insurance contracts	94,931	575,441
Reinsurance ceded contracts	114,555	(176,213)
Premiums due	(99,668)	(71,756)
Deferred acquisition expenses	(15,686)	(11,360)
Staff share loan plan	54	(890)
Accounts receivable and other assets	2,876	2,841
Accounts payable and accrued charges	7,669	1,784
Income taxes payable/recoverable	(15,676)	41,329
Provisions and other liabilities	4,984	4,458
	94,039	365,634