2014 ANNUAL REPORT

Passion. PEOPLE. PERSEVERANCE.

PEACE HILLS
INSURANCE

Contents

Vision

Peace Hills Insurance will continue to be a well-respected profitable provider of general insurance products delivered through creative and responsive solutions.

MISSION

Peace Hills Insurance, owned by the Samson Cree Nation, is a unique insurance company that truly cares.

VALUES

- Corporate integrity
- Empathy and conscience
- Customer satisfaction
- Open communication
- Fairness, flexibility and reasonableness in all dealings with employees, customers, vendors, and our shareholder
- Commitment to independent brokers
- Our team of innovative and motivated employees
- Good corporate citizenship
- Our responsibility to the Samson Cree Nation to be profitable and increase shareholder value through company growth

DIANE BRICKNER

PRESIDENT & CEO, PEACE HILLS GENERAL INSURANCE COMPANY

1990-2014

Diane Brickner has been at the forefront of Peace Hills Insurance since its inception. Hired as our first General Manager, Diane was already well-known in the insurance industry and left a successful commercial underwriting position to take a chance on what would become 'the little company that could', eventually writing over $200 million in premium in 2014.

As one of a trio of original employees (Bill Holt, Diane, and Brenda Schraeder (Simioni)), Diane was responsible for managing one of the two Alberta-owned insurance companies in 1981 – Peace Hills General Insurance Company. Support from the industry was overwhelming, and the Company was able to start writing business with 24 original insurance brokers.

It is the spirit of teamwork, friendship, passion, tenacity and perseverance that allowed the company to survive in the beginning, and thrive as time went on.

1980 — 1985 — 1990 — 1995

Dec. 14, 1981
Peace Hills General Insurance opens its doors

1982
First policy written

1990
Diane announced as first female President & CEO of an insurance company in Canada and receives the Insurance Woman of the Year Award from the Canadian Association of Insurance Women

1995
Expansion into British Columbia and Manitoba

Diane receives the Woman of Distinction in Business award from the Edmonton YWCA

1996
Expansion into Saskatchewan

1999
Expansion into Northern Territories

2000 — 2005 — 2010 — 2015

2001
Purchase of Peace Hills Insurance Building

2003
Launch of innovative Accident Benefits Injury Rehabilitation program

2006
Exceeded $125 million in gross written premiums

2007
Launch of internal management system – GIMS

2008
Diane receives the Award of Merit from the Insurance Institute of Canada and the Dr. Charles Allard Chair of Business from MacEwan School of Business

2012
Diane receives the Chartered Insurance Professionals (CIP) Society National Leadership Award – Established Leader; Launched Peace Hills Insurance Exchange (phiX) as a single-entry solution for brokers

2013
Diane named Business Person of the Year by Alberta Venture

2014
Exceeded $200 million in gross written premiums, the Company wins a Passion Capitalist Award, First Annual Diane Brickner Invitational Golf Tournament takes place, Diane retires

CANADA'S PASSION CAPITALISTS | SUSTAINABILITY INTENSITY COURAGE CULTURE CREED

OUR BIG NEWS

PROUD PASSION CAPITALISTS

November 20, 2014- Edmonton- Peace Hills Insurance (Peace Hills) is proud to announce that they are a Canada's Passion Capitalist Award Winner! Peace Hills was previously announced as a finalist earlier this month and was one of only two finalists in Western Canada (Peace Hills and Westjet). Winners were announced live on BNN this afternoon and will be profiled in the current edition of Canadian Business available on newsstands today.

"We are definitely excited to win this award. As employees of the company, we understand the passion that is built in to the Peace Hills culture and are always happy to share it," notes Chad Shurnaik, Vice President of Underwriting & Marketing. "To many employees and associates, our company is a family. At the broker level, we're not the company you shake hands with, but the company you hug. At a client level, we still concentrate on letting every situation be unique and not just names and numbers in a database. We will always strive to complete rather than deny a claim, which reinforces our mission statement: that we are a unique insurance company that truly cares."

CANADA'S PASSION CAPITALISTS

SUSTAINABILITY INTENSITY COURAGE CULTURE CREED

This award is especially timely for Peace Hills, as long-time President and CEO, Diane Brickner, retires at the end of the year. Brickner has been with the company since its inception in 1981. Her successor, Gene Paulsen, was hired from within. His familiarity with Peace Hills culture is something that was very important to brokers, staff and the Board of Directors.

Canada's Passion Capitalists is a national awards program that celebrates organizations who have achieved long-term success by creating Passion Capital; the energy, intensity, and sustainability needed to generate superior results.

Passion Capitalists are guided by a strong set of values and beliefs that form the basis of a distinctive culture that fuels their performance. They are courageous; often having to overcome significant obstacles. They build strong brands anchored by their culture, which guide their strategies, the people they hire and promote, and the way they operate.

Canada's Passion Capital awards program was inspired by the award-winning book Passion Capital by Paul Alofs, which outlines seven principles for growing and investing in a revolutionary new asset – Passion Capital.

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PEACE HILLS
INSURANCE

THE *Company*

CHAIRMAN'S REPORT

PATRICK BUFFALO, ICD.D
CHAIRMAN OF THE BOARD

This year was one of change for our company; internally within our organization, as well as some major changes for our brokers and customers. Early in the year, our President & CEO, Diane Brickner, announced her retirement for the end of December. With Diane's announcement, we began searching in earnest for her replacement. While we had a list of impressive candidates from across Canada, in the end we found the best candidate was one of our own; our Vice President of Underwriting & Marketing, Gene Paulsen. We are very fortunate that Diane has committed to remaining on the board, lending us her extensive experience for a few more years.

There has also been some change on our Board of Directors. In 2014, we said goodbye to Marvin Yellowbird, Koren Lightning-Earle, Trevor Swampy and Raymond Lightning and welcomed Elizabeth Rowan, Mario Swampy, Claudine Louis and Florence Buffalo. We would like to thank everyone for their service and must say we are very saddened by the sudden passing of our Elder, Florence Buffalo in November.

Our brokers were not exempt from change; we launched a new website, in Alberta they supported us through a year of significant rate and product changes, and in Manitoba we piloted our broker portal (phiX). We continue to be thankful to our brokers for their support, and remain committed to building and fostering strong relationships with the independent broker system.

They say the more things change, the more they stay the same. This is most definitely a true statement regarding our staff and organization as a whole. The hard work and dedication of our staff and Board of Directors allow us to live our mission statement of being a unique insurance company who truly cares. I am consistently impressed with the passion and perseverance displayed by the staff of Peace Hills, and congratulate them on another job well done this year.

OUTGOING PRESIDENT'S MESSAGE

DIANE BRICKNER, CIP, ICD.D
PRESIDENT & CEO

As this is my last message as President and CEO of Peace Hills Insurance, it gives me cause to reflect on my 33 years at Peace Hills – the past 23 as the CEO.

One of the first things that leaps out at me is the amount of trust that has been given me; not only from our Shareholder, Directors and staff, but also the brokers and our reinsurers. I cherish this more than anything. Along with that trust came a great deal of responsibility, but when you surround yourself with amazing people that burden of responsibility becomes a much lighter load.

Peace Hills has definitely endured its share of set-backs and challenges, and for the first 10 years we struggled with startup issues. Growing too quickly, struggling to find and hire enough experienced staff to keep up with growth, earned premiums not keeping pace with the losses, new computer programs, the tornado and the constant need for additional capital.

There were three things that kept us going in the early days and ensured we did not fail: the patience and commitment of our Shareholder, the support and encouragement from our brokers and the enthusiasm and dedication of our staff. This is a sure recipe for success and over the next 23 years we had many successes to follow.

From the trust, dedication, patience, hardships and enthusiasm grows a passion so strong that 'our little company that could' has grown into an organization that is envied, yet respected, by our competitors.

This year we were recognized by the business community with a Passion Capitalist award which reinforces the culture that we have created at Peace Hills Insurance.

As I think towards Peace Hills' future, it is important that three critical components of the Company are well looked after: the Shareholder, the brokers and the staff. The Shareholder has become more knowledgeable with experience and, while still supportive, have expectations of this company that it continue to grow and prosper. The brokers are also looking for more sophisticated products and partner relationships. They remain committed to Peace Hills, and are looking for innovative and progressive initiatives from their partner companies. Lastly, the staff. They are so committed and supportive of this company, and I have every faith they will continue to build this company for years to come.

As I look back on my career with Peace Hills, I am so proud of what we have accomplished and I look forward to watching it continue to succeed from the boardroom. I am fortunate to be able to remain on the Board of Directors so I can ease into retirement gradually. It is a bit easier to hand over the reins knowing I am passing them into such capable hands. My successor, Gene Paulsen, will be an amazing steward for this company. He is supported by an executive team that is dedicated to making this company even better and I look forward to seeing the outcome.

In closing, I would like to thank you for your support over the years and here's to Peace Hills' continued success!

INCOMING PRESIDENT'S MESSAGE

GENE PAULSEN, CIP
PRESIDENT & CEO

The more things change, the more they stay the same. We saw major changes in our executive management with the retirement of our matriarch, Diane Brickner, who has been an instrumental force in the development of our culture. Things have remained the same with respect to the challenges we face in maintaining consistency in our underwriting.

Although we did not have a repeat of the headline-producing floods in southern Alberta this year, severe weather has continued to impact our results. Southern Alberta was hit again with damaging hail and Saskatchewan and Manitoba saw their fair share of flooding which resulted in approximately $16.9 million in gross losses.

Our claims departments were again kept very busy handling an unusually large number of claims. Their hard work and dedication in helping our insureds allowed us to deliver on our mission statement of being a unique insurance company that truly cares.

Consumers are becoming more educated, through experience, on how dramatic the weather has been and a general acceptance of changes to the product is being seen. Most are aware of the continuing losses the insurance industry has been suffering. This has allowed us to introduce major changes to our personal property product including sub-limits on some perils such as wind, hail and sewer back-up, higher deductibles and increased rates. These changes are not unique to us as most companies are also introducing their share of changes. The landscape is changing. We are tremendously grateful for the support of our independent brokers in explaining these changes and continuing to sell our products. This simply reinforces our commitment to the independent broker channel. We thank them for their hard work over the years and look forward to continuing to foster our relationships with them in the upcoming years.

Our gross written premium increased by 10.2% to $219.8 million Our total policy count grew 5.1% over the previous year, with growth in every line of business and branch. We finished the year with a net loss ratio of 64.5% and combined ratio of 106.7%. These are areas that we will continue to work on improving.

In November, we were proud to announce that we were recognized as a 'Canada's Passion Capitalist' award winner. This award is a national honour, granted to organizations who have achieved long-term success by creating 'Passion Capital' which is defined as the energy, intensity and sustainability needed to generate superior results. Passion Capitalists are guided by a strong set of values and beliefs that form the basis of a distinctive culture that fuels their performance. It's only fitting that we were recognized with this distinction on the eve of Diane's 33-year tenure with the company.

In closing, we cannot give enough thanks to our retiring President & CEO, Diane Brickner for her contributions to the company over the past 33 years. It was her outgoing personality and her 'never-give-up' attitude that built and molded this company into what it is today. Diane set the bar high, and we will continue to reach for that bar while we build and grow the company we all cherish.

CFO REPORT

KATHY BOYCHUK, CMA
CHIEF FINANCIAL OFFICER

Our year was filled with change and efforts geared towards improved profitability. Insured losses from weather events, namely hail, continue to put pressure on our results, and 2014 was no exception, with the largest loss occurring in Airdrie, Alberta. Coupled with an unusual number of large property losses the year ended with a small profit and ROE both of which were less than expected. Despite this, our capital position remains strong, ending the year with an MCT of 262%.

Gross written premiums ended the year at $219.8 million, an increase of 10.5% including RSP and facility premiums over the previous year. After ceding premiums to various reinsurers, and deducting for the unearned portion of our premiums, net earned premiums ended at $131.8 million, an increase of 13.3%. Our net earned premiums were impacted by large reinstatement premiums that were due as a result of the Airdrie hail storm and our relative low retention on our catastrophe program.

We ended the year with a net loss ratio of 64.5%, with our highest ratio being personal automobile. While auto results remain profitable, there continues to be slow deterioration in the loss ratio and rate adjustments are being made. At the same time, continued losses in property for the past several years have kept pressure on required changes to our personal property product including continued price increases and changes to coverages.

This year generated a net underwriting loss of $6.5 million, which resulted in a combined ratio of 106.7%, which is worse than we expected, but a $3.2 million improvement over the previous year. We continue to work at lowering this ratio to achieve an underwriting profit. With the continuing increase in our catastrophe reinsurance purchase and the costs related to this, our expense ratio remains high and ended the year at 42.2%. We will continue to work to improve this ratio by reducing the amount of reinsurance we buy.

On a positive note, our investment income made up for our underwriting losses. Total investment income for the year was consistent with the previous year and ended at $7.4 million. The low yield environment continues to be a challenge and we have employed a short duration strategy on our bond portfolio to hedge against the risk of rising interest rates. This decision, although prudent, has hampered our ability to generate additional income. Interest income from the fixed income portfolio was $2.6 million, down from $4.1 million the previous year. During the year, we recorded $2.7 million in gains compared to $1.6 million in the previous year. This was enhanced by consistent dividend income of $2.0 million compared to $1.9 million in the previous year.

After combining investment income with our underwriting loss, and the results of the subsidiary property company, the net income after tax for the year was $0.7 million.

Overall, our investment portfolio has an accumulated unrealized gain after tax of $3.6 million. This was up only slightly over the course of the year. When added to net income this brings the total comprehensive income for the year to $0.9 million.

Despite underperforming in 2014, the Company continues to remain strong from a capital perspective. Our shareholder's equity ended the year at $75.8 million. With our continued focus on capital management, we maintained our capital ratio at our operating target and ended the year with an MCT ratio of 262%. We continue improving our risk management focus by building risk appetite statements that will allow us to manage capital more effectively.

We anticipate seeing continued improvement in our results in the coming year as we earn the rate increases that have been implemented. Our focus is on profitability and capital growth, which should put us in a great position to achieve our future goals.

	Equity (thousands)	MCT	ROE
2010	$71,303	318.2%	20.6%
2011	$73,740	324.6%	4.0%
2012	$77,137	284.0%	5.2%
2013	$74,904	276.7%	-0.9%
2014	$75,755	262.0%	1.0%

UNDERWRITING REPORT

CHAD SHURNAIK B.COMM, FCIP, CRM
VICE PRESIDENT, UNDERWRITING & MARKETING

This year was one of change for the Underwriting department with respect to both department and product modifications. Due to continued growth over the past few years, we underwent a restructuring of the Underwriting department including hiring a new VP of Underwriting & Marketing to replace Gene Paulsen as he assumed the roles of President & CEO. Along with the restructuring we have made many changes/restrictions to our Alberta property product along with substantial price increases throughout the province.

The commercial market continues to be soft and very competitive, as the majority of our competitors are looking to grow this line of business. Two areas where we are seeing some tightening and opportunities for increased premium are in the realty and restaurant business. With some competitors exiting the marketplace and no longer writing these types of risks, we expect the market to remain competitive in the coming year.

The personal property market saw a large amount of change throughout the industry due to continued severe weather in the prairies. Peace Hills was the first company to implement product changes in the Alberta marketplace with new sewer back up (SBU) tiers and limits, increased policy and SBU deductibles, as well as substantial rate increases. A number of our main competitors followed suit, resulting in our maintaining much of the business we had expected to lose. With new business not slowing as expected, another premium increase was applied in the fourth quarter of 2014, followed by introduction of actual cash value (ACV) coverage on roofs effective January 2015. We completed a full review of Saskatchewan, resulting in premium increases and the introduction of SBU tiers and limits similar to Alberta. These changes will begin to take effect in the first quarter of 2015.

Our auto loss ratio has begun to deteriorate slowly over the past couple of years so we undertook a full book review and implemented some changes throughout, resulting in a modest overall increase. Our ability to take an increase on the liability coverage was limited due to government regulations. We will continue to monitor this book throughout the next year to ensure our loss ratio is not deteriorating any further, although any further changes now require a full rate filing and approval.

Our farm book of business continues to outperform our five-year average loss ratio, although it did increase a small amount this year due to the continued severe weather in the southern prairies. As we take further property increases in Alberta, we will continue to increase the farm book at the same rate. With our product changes and premium increases we feel that we will see even more improvement in the loss ratio for this book of business.

We are continuing with the development of phiX, a portal allowing brokers real-time entry into our system. We have already launched the ability to complete auto risks in 2013 and late this year we began processing our first property policies in Manitoba. We currently have two test brokers set up in Manitoba for property with more to follow.

It has been a very busy year for the Underwriting & Marketing department with the number of product and pricing changes that were implemented. Each and every employee has shown great dedication and perseverance throughout them all. There is always an exceptional effort to put Peace Hills in the best position to succeed for years to come, and for this we are extremely fortunate.

We continue to be very thankful for the continued support of our independent broker force, especially with all of the large increases and product changes put forth this past year. We remain committed to the independent broker as our sole means of distribution; it is their efforts that have allowed our continued growth and success across Western and Northern Canada.

BRITISH COLUMBIA

YEAR	Gross Written Premiums*	In-force Policies
2014	44,250	31,819
2013	41,620	29,646
2012	38,831	27,440
2011	33,410	23,409
2010	30,294	22,867
Average annual growth rate	**9.9%**	**8.6%**

MANITOBA

YEAR	Gross Written Premiums*	In-force Policies
2014	13,681	11,194
2013	12,836	10,813
2012	12,415	10,752
2011	12,183	11,047
2010	11,510	11,261
Average annual growth rate	**4.4%**	**-0.1%**

SASKATCHEWAN

YEAR	Gross Written Premiums*	In-force Policies
2014	6,824	4,792
2013	6,014	4,357
2012	4,781	3,693
2011	6,370	5,902
2010	5,687	5,745
Average annual growth rate	**4.7%**	**-4.4%**

*NOTE: Gross written premiums exclude premiums assumed from the risk share pools and facility association. Reported in thousands.

NORTHERN ALBERTA

YEAR	Gross Written Premiums*	In-force Policies
2014	88,280	50,489
2013	78,323	48,380
2012	72,112	46,005
2011	72,871	48,104
2010	70,109	47,468
Average annual growth rate	**5.9%**	**1.6%**

SOUTHERN ALBERTA

YEAR	Gross Written Premiums*	In-force Policies
2014	56,901	36,671
2013	51,222	34,958
2012	44,690	30,514
2011	43,124	29,404
2010	43,833	30,769
Average annual growth rate	**6.7%**	**4.5%**

NORTHERN TERRITORIES

YEAR	Gross Written Premiums*	In-force Policies
2014	3,799	2,721
2013	3,984	2,895
2012	3,820	2,730
2011	3,536	2,708
2010	3,351	2,670
Average annual growth rate	**3.2%**	**0.5%**

ALL BRANCHES

YEAR	Gross Written Premiums*	In-force Policies
2014	213,734	137,686
2013	193,999	131,049
2012	176,647	121,134
2011	171,496	120,574
2010	164,784	120,780
Average annual growth rate	**6.7%**	**3.3%**

CLAIMS REPORT

PATRICIA WHITE, CIP
VICE PRESIDENT, CLAIMS

We started off this year with our earliest storm loss to date. In January, extreme winds hit the Edmonton area resulting in 155 claims and an incurred loss of $1.3 million. This was followed by three more storms; the worst of the three being the hail storm that struck Airdrie and its surrounding areas in August. This southern Alberta storm was the largest hail storm in the history of the company, producing over a thousand claims to date and an incurred loss of $10.9 million. We are also still working through the five catastrophe losses from 2013, including the flood in Southern Alberta. Resources continue to be stretched but our staff is committed to battling through with an effort to settle these claims.

Our claims department continues to have a great reputation with our clients and broker partners. That being said, there is always room for improvement. This year we took a strategic look at our overall processes and measured ourselves against industry best practices. To further this initiative, we brought in a consulting firm to review our whole claims operation. For the most part, the results of the review were excellent. We were left with several solid recommendations for improvement that we have incorporated into our 2015 business plan.

To improve efficiency, the Edmonton claims department was divided into two distinct units with a claims manager at the helm of each. A full time auditor was hired to maintain consistency in reserving, performing quality audits and assisting staff and management on completion of complex files. Along with these new processes, we will also focus our efforts on providing the staff with further training to allow for the highest quality of service.

The frequency of claims is slowly increasing, but it is the severity of claim events that is dramatic. In almost every claim peril, severity continues to increase which is indicative of our changing weather patterns and increased economic prosperity.

The increase in the auto severity is mainly due to the hail storm in Airdrie. There were 428 auto claims reported with an average payout of $6,929 and subsequently a large number of vehicles had to be written off due to the severity of the hail.

Property severity continues to climb. We had a higher number of large losses that exceeded $0.5 million. There were some very large commercial fires this year which, on top of constantly increasing construction prices, has added to the severity.

We finished the year with a gross loss ratio of 64.0% which is an increase of 4 points over last year. The personal property loss ratio was 64.5% which is a marked improvement over last year where we ended at 77.8%. The flood had a major effect on 2013 results as can be seen by a 96 point improvement in personal property in southern Alberta's loss ratio from 2013 to 2014.

I believe with the rate increases that will continue to be implemented and the changes to our policy wording we will continue to see improvement in our property line of business.

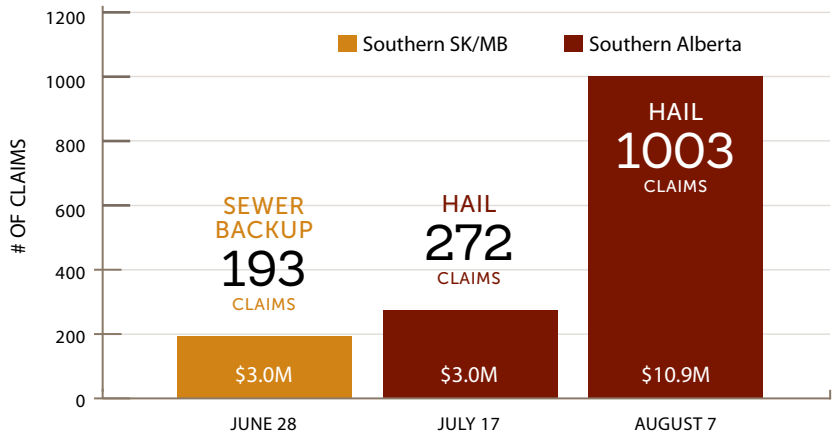
CLAIMS FREQUENCY BY BUSINESS LINE (ALL BRANCHES)

YEAR	Personal Auto	Personal Property	Commercial Automobile	Commercial Property	Farm Property	All Lines
2014	14.9%	4.9%	22.4%	6.9%	9.3%	**8.6%**
2013	14.7%	5.6%	21.0%	7.9%	8.2%	**9.0%**
2012	14.3%	5.6%	19.9%	8.9%	8.5%	**9.1%**
2011	14.3%	6.2%	18.9%	9.6%	11.3%	**9.5%**
2010	13.7%	5.5%	19.8%	8.7%	9.0%	**8.9%**

CLAIMS SEVERITY BY BUSINESS LINE (ALL BRANCHES - AVERAGE CLAIM COST)

YEAR	Personal Auto	Personal Property	Commercial Automobile	Commercial Property	Farm Property	All Lines
2014	7,610	13,385	6,811	18,972	21,167	**11,016**
2013	6,655	12,824	8,673	18,134	18,765	**10,615**
2012	6,903	9,914	9,169	15,318	20,483	**9,751**
2011	6,463	17,572	7,802	12,398	17,713	**11,726**
2010	6,521	10,034	6,721	8,218	20,678	**8,516**

CATASTROPHIC STORMS



GROSS LOSS RATIO

BRITISH COLUMBIA

YEAR	Personal Property	Commercial Property	Farm	ALL
2014	57.4%	36.2%	22.0%	45.5%
2013	41.7%	33.5%	75.4%	39.7%
2012	45.2%	40.9%	29.1%	42.0%
2011	51.8%	62.0%	27.9%	55.4%
2010	59.6%	43.2%	37.6%	50.0%
5-year average	**50.9%**	**42.5%**	**38.5%**	**46.0%**

NORTHERN ALBERTA

YEAR	Personal Auto	Personal Property	Commercial Auto	Commercial Property	Farm	ALL
2014	70.8%	43.0%	41.2%	36.6%	68.2%	53.6%
2013	61.4%	54.2%	60.7%	57.1%	48.7%	57.9%
2012	54.1%	60.6%	57.3%	50.0%	75.3%	56.9%
2011	61.2%	217.9%	53.1%	45.6%	71.2%	98.3%
2010	55.3%	51.6%	45.6%	14.7%	113.6%	50.2%
5-year average	**60.5%**	**83.3%**	**51.2%**	**41.2%**	**72.4%**	**63.1%**

MANITOBA

YEAR	Personal Property	Commercial Property	Farm	ALL
2014	70.9%	113.3%	196.1%	89.4%
2013	67.4%	74.0%	35.7%	66.2%
2012	45.0%	45.8%	97.9%	49.1%
2011	63.3%	26.0%	156.1%	64.3%
2010	58.6%	43.4%	45.3%	55.7%
5-year average	**61.1%**	**65.8%**	**109.0%**	**65.5%**

SOUTHERN ALBERTA

YEAR	Personal Auto	Personal Property	Commercial Auto	Commercial Property	Farm	ALL
2014	83.8%	83.0%	67.5%	99.7%	79.0%	83.0%
2013	77.0%	179.0%	71.8%	123.5%	77.2%	107.8%
2012	83.2%	73.7%	73.5%	131.1%	97.8%	87.5%
2011	56.5%	99.6%	44.5%	35.8%	149.0%	70.2%
2010	64.0%	84.7%	37.2%	31.0%	130.7%	65.5%
5-year average	**73.2%**	**104.4%**	**59.3%**	**86.7%**	**104.4%**	**83.3%**

SASKATCHEWAN

YEAR	Personal Property	Commercial Property	Farm	ALL
2014	120.3%	78.4%	103.9%	107.4%
2013	91.7%	69.9%	58.0%	83.1%
2012	100.8%	34.2%	77.7%	84.5%
2011	123.9%	76.3%	98.7%	114.2%
2010	126.1%	16.5%	167.4%	114.9%
5-year average	**113.6%**	**60.2%**	**103.1%**	**101.2%**

NORTHERN TERRITORIES

YEAR	Personal Auto	Personal Property	Commercial Auto	Commercial Property	Farm	ALL
2014	25.1%	104.0%	35.2%	53.3%	-20.4%	66.0%
2013	33.4%	42.3%	82.1%	17.4%	-1.1%	40.5%
2012	40.7%	80.7%	16.1%	-5.3%	57.9%	51.0%
2011	51.9%	84.9%	41.4%	15.5%	-0.1%	61.3%
2010	31.7%	156.2%	102.6%	26.4%	7.8%	92.9%
5-year average	**38.2%**	**76.0%**	**47.8%**	**20.6%**	**12.7%**	**54.3%**

ALL BRANCHES

YEAR	Personal Auto	Personal Property	Commercial Auto	Commercial Property	Farm	ALL
2014	75.0%	64.5%	51.5%	52.6%	73.3%	64.0%
2013	66.9%	77.8%	65.3%	57.6%	61.9%	68.1%
2012	64.1%	58.6%	64.6%	57.1%	75.8%	61.5%
2011	59.1%	121.4%	48.6%	50.8%	97.0%	80.1%
2010	58.4%	67.5%	42.1%	31.6%	100.8%	57.0%
5-year average	**64.8%**	**77.2%**	**54.4%**	**50.8%**	**80.2%**	**66.2%**

*NOTE: Gross loss ratios exclude premiums assumed from the risk share pools and facility association. Reported in thousands.

INFORMATION SYSTEMS REPORT

HARVEY SCHAERER, B.SC
VICE PRESIDENT, INFORMATION TECHNOLOGY

As is the case in most years, in 2014 our IT requirements continued to grow with a passion, and whether for changes or new features and capabilities the IS team strove to comply. A new financial system was implemented, which integrated the General Ledger with third party and in-house systems including underwriting, claims, accounts payable, cheque reconciliation, banking, and payroll. Expense work flow and automated approvals were also added. After a lot of work and effort by all departments, significant fiscal data analysis improvements were made with the ability to reflect detailed levels of financial information including departments, branches, and lines of business.

Other projects and changes were also implemented: further automation with broker management systems for our phiX product in Manitoba; improvements to our website; dislocation reporting; auto and property rating changes for Alberta; and CSIO certification of eDocs. In addition to these, our reinsurance processes were reviewed, and design improvements and efficiencies started. Business intelligence capabilities continued to evolve. Additional measures and dimensions were added to further our understanding of the business, and improve processes and services.

As predicted by many IT security companies, the year began with increased security issues and ended the same. Security incidents rose alarmingly and stories of high profile vulnerabilities were published regularly. In protecting the company against theft and destruction of our data and assets, we found ourselves faced with increasingly sophisticated attacks from many different sources. Peace Hills was not immune to security incidents, and subsequent resources were directed toward the prevention and mitigation of these issues.

In the computer network infrastructure sector, a new communications link was established with all of our major satellite offices. This provided faster response and increased data throughput, and will allow Peace Hills to bring in additional capabilities such as video conferencing and improvements in communication with our branch offices, improved telephone services with reduced costs and future data synchronization capabilities. New servers, storage, and network hardware were acquired, upgrades began, and additional virtualization of servers and systems continued. These acquisitions have also allowed us to begin preparations for a new standby site, with plans to provide improved business continuity and disaster recovery capabilities in the future.

HUMAN RESOURCES REPORT

MARLY INOSTROZA, CHRP, PCP, RPA
VICE PRESIDENT, HUMAN RESOURCES

The purpose of Human Resources (HR) is to promote an organization's mission and vision while supporting initiatives to achieve strategic goals. At the same time, it must also function as a steward of the organization's corporate values while ensuring employees are engaged and motivated to help the organization succeed.

This year was heavily focused on our people, who were in the midst of experiencing a significant change. Our President and CEO, Diane Brickner, announced her retirement date in June for the end of 2014. Diane was one of the original three employees of Peace Hills and rose to leadership of the company in 1990. There are more than a few staff who work for us who have known Diane as a leader and a friend for a decade or more. We worked closely with Diane and her successor, Gene Paulsen, to make the change as easy as possible for everyone involved. We are fortunate to continue to benefit from Diane's expertise as she remains on our Board of Directors and she will continue to be heard in our hallways, asking for hugs.

While the IT department introduced a new website in 2014, HR was focusing on its employer branding, which will be unveiled in 2015, showcasing Peace Hills Insurance as passionate for the insurance industry, the community and our employees. This foundation will assist in positioning us as an employer of choice within a competitive market. In 2014, we were able to fill vacancies with an average six week turnaround, from time of advertisement to time of onboarding. This is in comparison to an average turnaround of eight weeks or longer in previous years.

We continue our outreach recruitment efforts to identify qualified and diverse candidates, in our commitment to our Shareholder Samson Cree Nation. This year, we recruited four summer students who worked in various areas such as underwriting, corporate marketing and our Southern Alberta Branch office in Calgary.

HR was also an active participant in our Staff Association, where we worked to further advance our community engagement and cultural awareness by partnering with Ben Calf Robe school. The Company provided donations of milk cartons and hosted a cereal drive, resulting in 156 boxes of cereal, equating to a three week supply for the school. Employees delivered the cereal during a school assembly which showcased the school's First Nations influences.

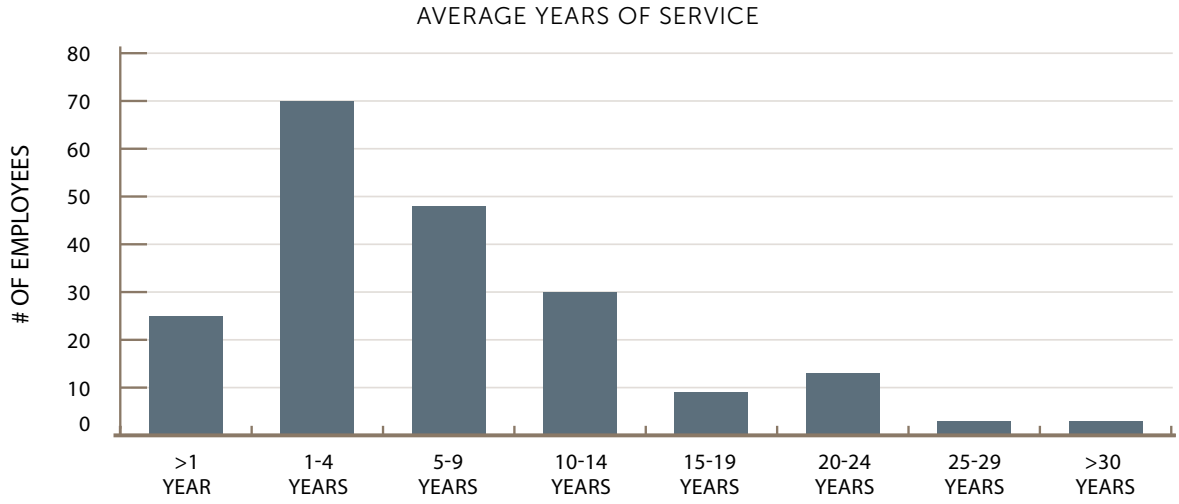
This year we focused on promoting our Employee Assistance Program (EAP), creating greater awareness and usage of the benefits involved. With an awareness that our employees were experiencing a change in leadership, combined with a desire to provide individual support to our employees in many other respects, HR has strengthened our partnership with our EAP providers.

Moving into 2015, we look forward to developing a Manager/Supervisor onboarding program that will include greater education surrounding the EAP program, ensuring not only an HR focus but an organizational one.

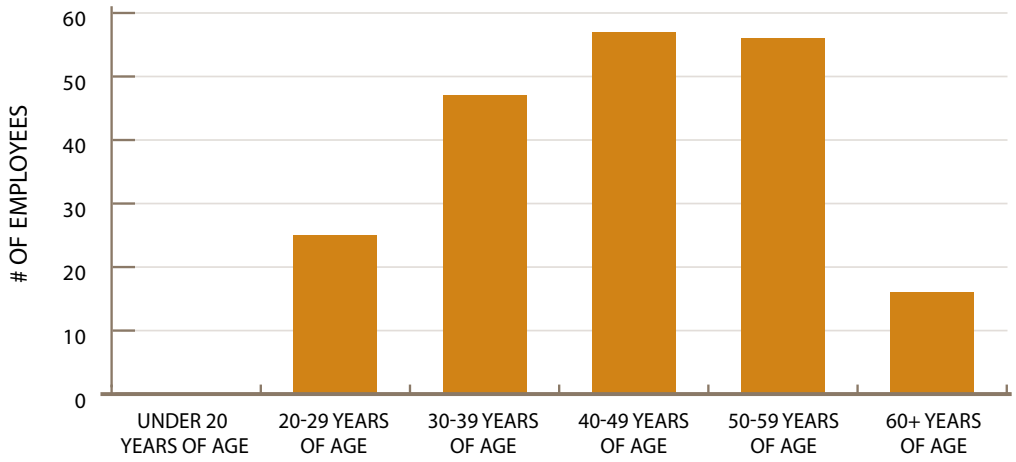
Putting our employees first and never losing sight that as an organization our greatest asset, and our true strength, is our people. Stay Interviews remain a priority and allow us to demonstrate to staff that we value their input and overall job satisfaction.

The company celebrated great achievements in 2014, from Diane's award of Business Person of the Year, to being awarded the title of a Passion Capitalist Organization. This was a year where we showcased our strengths and focused on our people with a promise to never lose the traditions that have made us a unique organization that truly cares.

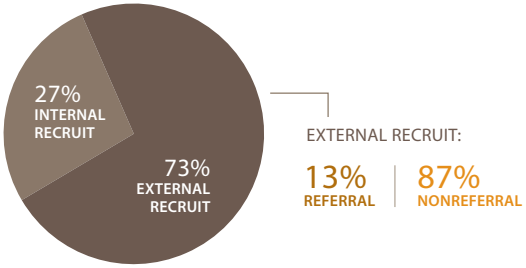
As a continued commitment in improving HR services, these can be measured through the HR metrics. Measuring both the impacts of HR initiatives as well as monitoring trends gives us the opportunity to identify areas that may require attention and to determine future planning of human resource needs.



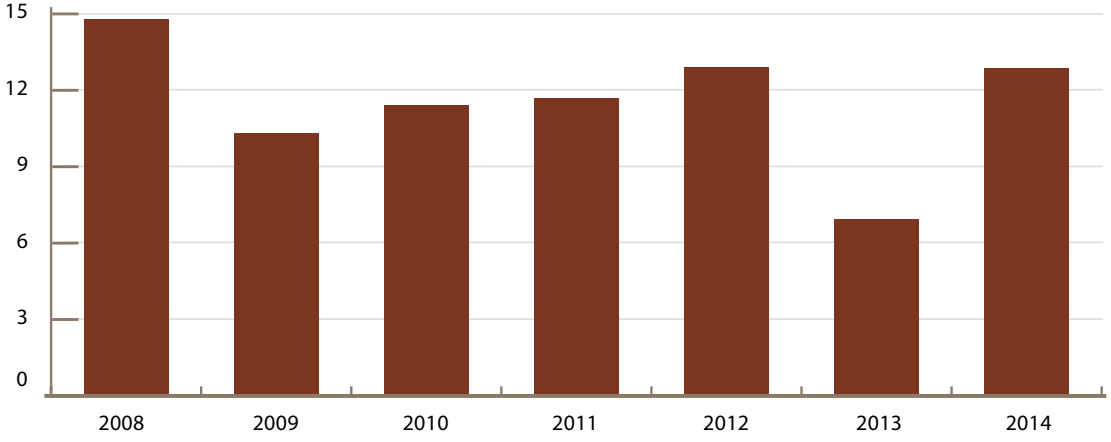
EMPLOYEE DEMOGRAPHICS - AGE



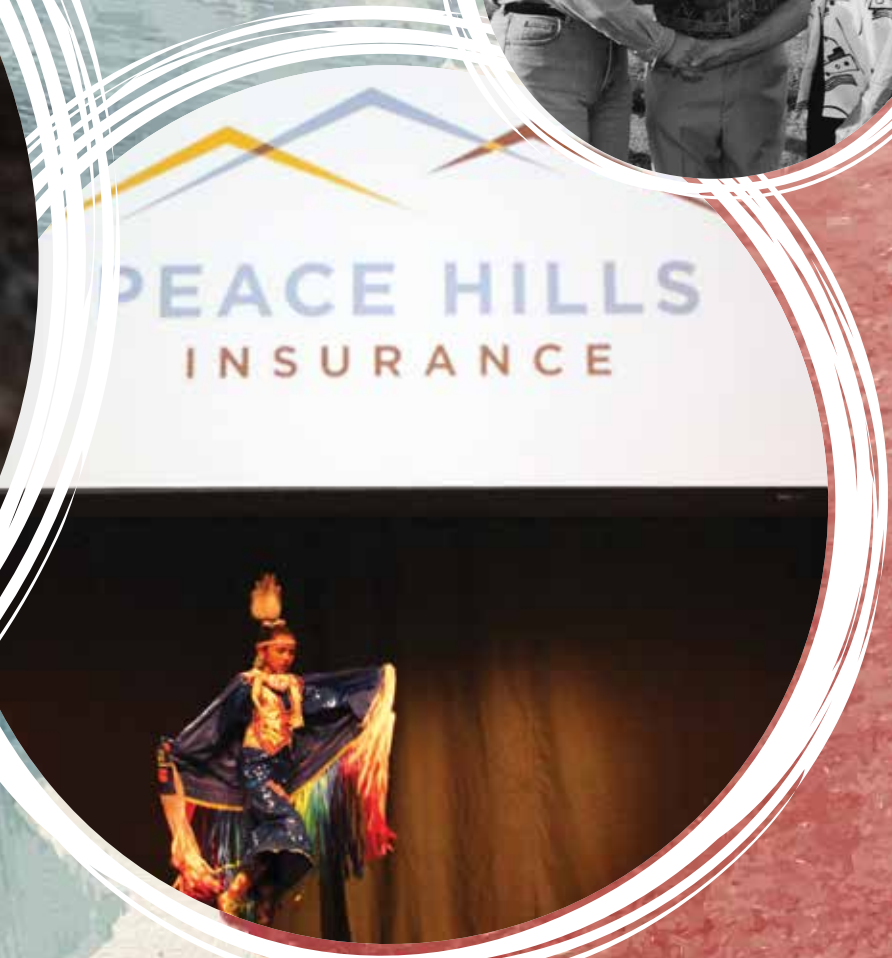
RECRUITMENT EFFORTS



RATE OF TURNOVER (%)



OUR *People*



COMPANY PROFILE

BOARD OF DIRECTORS



LEFT TO RIGHT

PATRICK BUFFALO
Chairman

DIANE BRICKNER
Vice Chairman

JOHN CRIER
Secretary/Treasurer



CHIEF KURT BUFFALO

LAURIE POWERS

BILL KORDYBACK



JULIAN KOZIAK

MARIO SWAMPY

JOHN SZUMLAS


ELIZABETH ROWAN

WILLY LIGHTNING

CLAUDINE LOUIS (MISSING)

BOARD OF DIRECTORS & COMMITTEES

Chief Kurt Buffalo can sit on all committees as ex officio.

Chairman Patrick Buffalo can attend the Governance & Compensation, Risk Management and Investment/PHI Properties Ltd. Committee meetings as ex officio.

The following committees are separate committees that sit together (as per bylaws):

- Audit and Conduct Review
- Governance and Compensation
- Investment and PHI Properties Ltd.

AUDIT/CONDUCT REVIEW COMMITTEE (6 MEETINGS IN 2014)

- John Szumlas – Chair
- Laurie Powers
- Bill Kordyback
- Julian Koziak

GOVERNANCE/COMPENSATION COMMITTEE (6 MEETINGS IN 2014)

- John Crier – Chair
- John Szumlas
- Diane Brickner (Governance only)
- Mario Swampy
- Bill Kordyback

INVESTMENT/PHI PROPERTIES LIMITED COMMITTEE (4 MEETINGS IN 2014)

- Willy Lightning – Chair
- Claudine Louis
- Elizabeth Rowan
- John Crier
- Julian Koziak
- Laurie Powers

RISK MANAGEMENT COMMITTEE (3 MEETINGS IN 2014)

- Bill Kordyback – Chair
- Claudine Louis
- Willy Lightning
- Diane Brickner
- Mario Swampy
- John Szumlas
- Elizabeth Rowan

Name	Position	Board Meetings	Member Since
Patrick Buffalo	Chairman	7/7	Continuous since 1999
Diane Brickner	Vice Chairman, President & CEO	7/7	1990
John Crier	Secretary/Treasurer, Governance/Compensation Committee Chair	7/7	1989
John Szumlas	Audit/Conduct Review Committee Chair	7/7	2003
Willy Lightning	Investment/PHI Properties Ltd. Committee Chair	7/7	2011
Bill Kordyback	Risk Management Committee Chair	7/7	2003
Kurt Buffalo	Director	4/7	2011
Mario Swampy	Director	4/4	2014
Julian Koziak	Director	7/7	1993
Laurie Powers	Director	7/7	2010
Claudine Louis	Director	3/4	2014
Elizabeth Rowan	Director	3/4	2014
Florence Buffalo (non-voting privileges)	Elder	3/3	Continuous since 2014

BOARD OF DIRECTORS REPORTING REQUIREMENTS

As prescribed in the Insurance Act, the Board reviews the financial and operational health of the Company and ensures appropriate corporate governance standards are applied. The Board of Directors are ultimately accountable for the actions and results of the Company. They also oversee management's responsibility for the design and operation of effective financial reporting and internal control systems, the preparation and presentation of financial information and the management of risk areas.

AUDIT/CONDUCT REVIEW COMMITTEE

- Reviews and reports on the Company's financial statements
- Appoints the Company's independent actuary
- Establishes procedures and reviews transactions with related parties
- Every committee meeting includes an opportunity for an in-camera session without management present

GOVERNANCE/COMPENSATION COMMITTEE

- Reviews all governance related activities
- Provides an effective mechanism for enhancing government and industry relations
- Reviews matters impacting the Company's human resources and compensation programs

INVESTMENT/PHI PROPERTIES LTD. COMMITTEE

- Reviews all investment activities of the Company
- Reviews and reports on the financial position of the subsidiary company, PHI Properties

RISK MANAGEMENT COMMITTEE

- Identifies, assesses and oversees the management of risks associated with the operation of the Company
- Reviews and recommends overall risk appetite that covers all aspects of risk, including strategic, financial market, insurance, operation, reputational and regulatory
- Oversee management's compliance in relationship to the Capital Management Plan

EXECUTIVE LEVEL

LEFT TO RIGHT

Diane Brickner, CIP, ICD.D
Outgoing President & CEO

Kathy Boychuk, CMA
CFO

Marly Inostroza, CHRP, PCP, RPA
VP, Human Resources & Administration

Gene Paulsen, CIP
Incoming President & CEO

Harvey Schaerer, B.Sc
VP, Information Technology

Chad Shurnaik, BComm., FCIP, CRM
VP, Underwriting & Marketing

Patricia White, CIP
VP, Claims

MANAGEMENT LEVEL

LEFT TO RIGHT

Nazz Baksh, CMA
Controller

George Boulay, BComm., FCIP, CRM
Underwriting Manager, Rest of Canada

John Bud, CGA, CNA
Information Technology Manager

Gail Fisher, CIP
Claims Manager, Southern Alberta

Brian Gallimore
Commercial Lines Manager, Northern Alberta

Scott Heit, CA
Internal Auditor/Risk Manager



Neil Klawitter
Branch Manager, Northern Alberta

Daryl Kochan, FCIP
Branch Manager, British Columbia

Matt Land, B.Admin. (Dip), MBA
Auto Claims Manager



Anthony Lim
Branch Manager, Southern Alberta

Daphne Matthews, CIP
Property Claims Manager, Northern Alberta, British Columbia, Rest of Canada

Karri McCann
Commercial Lines Manager, Southern Alberta



Joan McMillan
Office & Administration Manager

Carol Paul
Personal Lines Manager, Northern Alberta

Gail Routh, CIP
Branch Manager, Rest of Canada



Evanne Shepherdson, CIP
Personal Lines Manager, Southern Alberta

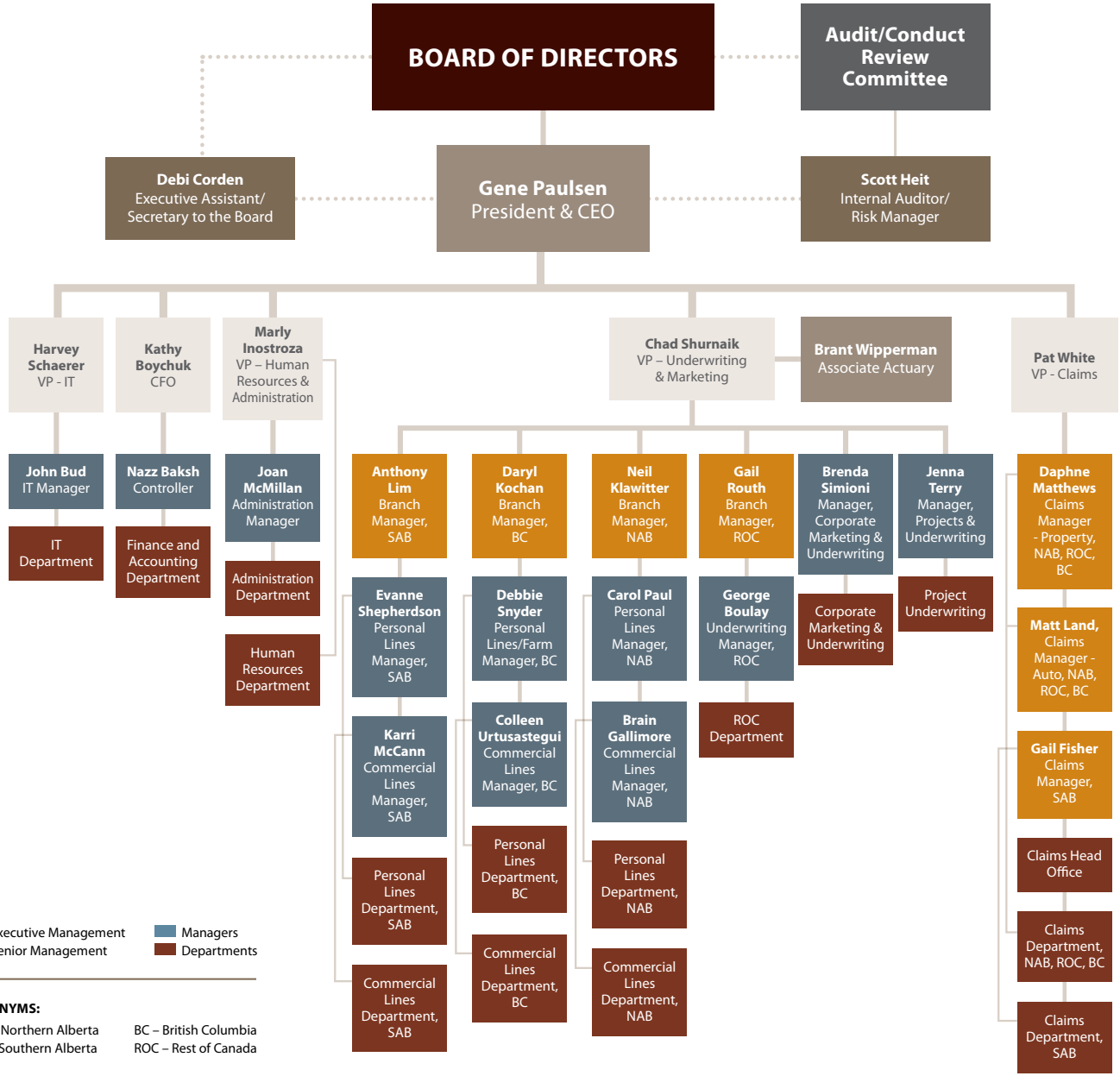
Brenda Simioni
Corporate Underwriting & Marketing Manager

Debbie Snyder
Personal Lines/Farm Manager, British Columbia


Jenna Terry, CIP
Corporate Underwriting Projects Manager

Colleen Urtusastegui
Commercial Lines Manager, British Columbia

CORPORATE STRUCTURE



ACRONYMS:

NAB – Northern Alberta
SAB – Southern Alberta
BC – British Columbia
ROC – Rest of Canada


EACE HILLS
INSURANCE

OUR *Success*

Financials

MANAGEMENT STATEMENT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards including the accounting requirements of the Superintendent of Insurance for Alberta. In the opinion of management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of Peace Hills General Insurance Company within reasonable bounds of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable consolidated financial statements. The adequacy of operation of the control systems is monitored on an ongoing basis by management.

The Board of Directors is responsible for approving the consolidated financial statements. It has established an Audit Committee, comprised of directors who are neither officers nor employees of the Company who meet with management, internal auditors, the actuary and external auditors, all of whom have unrestricted access and the opportunity to have private meetings with the Audit Committee, to review the consolidated financial statements. The Audit Committee, in turn, submits its report to the Board of Directors to recommend the approval of the consolidated financial statements.

The Superintendent of Insurance for Alberta makes an annual examination and inquiry into the affairs of the Company as deemed necessary to ensure that the Company is in sound financial condition and that the interests of the policyholders are protected under the provisions of the Insurance Act.

The actuary has been appointed by the Board of Directors pursuant to the regulations found in the Insurance Act. The actuary is required to carry out a valuation of the policy liabilities recorded by the Company in its consolidated financial statements and report thereon to the shareholder. Policy liabilities consist of the provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in-force, including deferred policy acquisition costs.

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any direction that may be made by regulatory authorities. The actuary, in her verification of the management information provided by the Company used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of her work and opinion.

The Company's external auditors have been appointed by the shareholder, pursuant to the Act, to conduct an independent and objective audit of the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards and report thereon to the shareholder. In carrying out their audit, the auditors also made use of the actuary and her report on the Company's policy liabilities. The auditor's report outlines the scope of their audit and their opinion.

Gene Paulsen, CIP
PRESIDENT AND CEO

Kathy Boychuk, CMA
CFO

February 24, 2015
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Peace Hills General Insurance Company

We have audited the accompanying consolidated financial statements of Peace Hills General Insurance Company and its subsidiary, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of changes in shareholder's equity, income, comprehensive income, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers LLP

Chartered Accountants

February 24, 2015
Edmonton, Alberta

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Peace Hills General Insurance Company and its subsidiary as at December 31, 2014 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

ACTUARY'S REPORT

Baron Insurance Services Inc.
Actuaries & Consultants

To the Shareholder of Peace Hills General Insurance Company:

I have valued the policy liabilities and the reinsurance recoverables of Peace Hills General Insurance Company for its statement of financial position as at December 31, 2014 and their changes in its statement of income for the year then ended, in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

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

Toronto, Ontario
February 24, 2015

Barbara Addie
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

(in thousands $)	2014	2013
Assets		
Cash and cash equivalents (Note 4)	36,847	32,714
Accrued investment income	690	663
Available-for-sale financial assets (Note 5)	130,539	117,820
Due from agents, brokers and policyholders	44,174	39,595
Due from other insurance companies	10,245	10,166
Salvage and subrogation recoverable	1,308	1,430
Reinsurance recoverables		
Unpaid claims and adjustment expenses (Note 12)	41,250	45,378
Unearned premiums	29,106	25,798
Salvage and subrogation	(270)	(290)
Deferred policy acquisition costs (Note 7)	26,603	23,900
Income taxes receivable	2,558	10,119
Other receivables (Note 6)	4,487	3,537
Prepaid expenses	423	224
Capital assets		
Land and building (Note 8)	3,236	3,287
Other assets used in operations (Note 8)	2,736	2,336
Intangible assets (Note 8)	972	1,248
Investment property (Note 9)	9,006	9,006
Deferred income tax asset (Note 23)	504	441
Total Assets	**344,414**	**327,372**
Liabilities		
Due to agents, brokers and policyholders	5,228	4,977
Due to other insurance companies	6,599	6,076
Expenses due and accrued	3,366	3,148
Income taxes payable	–	17
Other taxes due and accrued	7,415	6,564
Unearned premiums and service charges (Note 11)	109,029	97,448
Provision for unpaid claims and adjustment expenses (Note 12)	118,762	117,919
Unearned reinsurance commissions	7,707	7,066
Funds held for other insurance companies (Note 10, 19)	8,377	7,083
Deferred income tax liability (Note 23)	2,176	2,170
	268,659	**252,468**
Shareholder's Equity		
Share capital (Note 18)	2,000	2,000
Share premium (Note 18)	9,362	9,362
Retained earnings	60,484	59,785
Revaluation surplus	359	359
Accumulated other comprehensive income	3,550	3,398
	75,755	**74,904**
Total Liabilities and Equity	**344,414**	**327,372**

Approved by the Board of Directors

DIRECTOR **DIRECTOR**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014

(in thousands $)	Share Capital	Share Premium	Retained Earnings	Revaluation Surplus	AOCI	TOTAL
At December 31, 2012	**2,000**	**9,362**	**60,895**	**–**	**4,880**	**77,137**
Net loss	–	–	(712)	–	–	(712)
Other comprehensive income (loss)	–	–	–	359	(1,482)	(1,123)
Dividends	–	–	(386)	–	–	(386)
Refundable taxes	–	–	(12)	–	–	(12)
At December 31, 2013	**2,000**	**9,362**	**59,785**	**359**	**3,398**	**74,904**
Net income	–	–	713	–	–	713
Other comprehensive income	–	–	–	–	152	152
Dividends	–	–	–	–	–	–
Refundable taxes	–	–	(14)	–	–	(14)
At December 31, 2014	**2,000**	**9,362**	**60,484**	**359**	**3,550**	**75,755**

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

(in thousands $)	2014	2013
Gross premiums written	219,880	198,957
Direct premiums written	213,607	191,740
Net premiums written	139,958	124,159
Net premiums earned	131,827	116,323
Earned service charge revenue	2,417	2,145
Underwriting revenue	134,244	118,468
Expenses incurred		
Claims	85,039	77,143
Commissions	26,081	23,439
Administrative (Note 25)	22,634	21,238
Premium taxes and other taxes	6,957	6,316
	140,711	128,136
Underwriting loss	(6,467)	(9,668)
Investment income (expenses)		
Interest	3,149	4,368
Dividends	1,954	1,906
Gain on disposal of investments	2,769	1,662
Investment fees	(431)	(475)
	7,441	7,461
Loss from PHI Properties Limited (Note 13)	(85)	(175)
Income Property Fair Value Adjustment (Note 20)	–	1,327
Income (loss) before income taxes	889	(1,055)
Income taxes (Note 23)		
Current	233	(1,307)
Future	(57)	964
	176	(343)
Net income (loss)	**713**	**(712)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

(in thousands $)	2014	2013
Net income (loss)	**713**	**(712)**
Items that may be subsequently reclassifed to profit or loss:		
Net gain (loss) arising on revaluation of available-for-sale financial assets during the year	3,097	(317)
Reclassification of adjustments relating to available-for-sale financial assets disposed of in the year	(2,914)	(1,662)
Income taxes	(31)	497
	152	(1,482)
Items that will not be reclassifed to profit or loss:		
Revaluation increase on own-use property	–	463
Income taxes	–	(104)
	–	358
Other comprehensive income (loss)	**152**	**(1,123)**
Total comprehensive income (loss)	**865**	**(1,835)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

(in thousands $)	2014	2013
Net income (loss)	**713**	**(712)**
Operating activities:		
Items not affecting cash:		
Deferred income taxes	(57)	964
Net realized on disposal of investments	(2,769)	(1,662)
Amortization of bond premium	620	289
Depreciation and amortization of capital and intangible assets	1,010	839
Loss on disposal of capital assets	59	37
Fair value adjustment on investment property	–	(1,327)
	(424)	(1,572)
Change in non-cash working capital items:		
Deferred policy acquisition costs	(2,703)	(1,863)
Unpaid claims and adjustments expenses, net of recoverable from reinsurers	4,971	5,091
Unearned premiums, net of recoverable from reinsurers	8,254	6,419
Unearned reinsurance commissions	641	208
Net change in other non-cash balances	6,007	(11,831)
	17,170	(1,976)
	16,746	**(3,548)**
Investing activities:		
Investments sold or matured:		
Bonds and debentures	168,043	232,837
Common shares	14,246	24,936
Other investments	9	2
Investments acquired:		
Bonds and debentures	(177,517)	(220,439)
Common shares	(15,167)	(26,783)
Other investments	(1)	(20)
Purchase of capital and intangible assets	(1,142)	(340)
Proceeds on disposal of capital assets	–	5
Loans to third parties	(1,800)	–
Loan repayment from third parties	730	667
	(12,599)	**10,865**
Financing activities:		
Payment of dividends	–	(386)
Refundable taxes	(14)	(12)
	(14)	(398)
Increase in cash and cash equivalents	4,133	6,919
Cash and cash equivalents – Beginning of year	32,714	25,795
Cash and cash equivalents – End of year	**36,847**	**32,714**

Peace Hills General Insurance Company (the Company) is incorporated under the laws of Alberta. The Company is subject to the Insurance Act of Alberta (the Act) and is licensed to write all classes of insurance other than life, accident, sickness and hail, in British Columbia, Alberta, Saskatchewan, Manitoba and the Northwest, Yukon and Nunavut Territories. The Company has a concentration of business in automobile and property insurance in the Province of Alberta. The Company is subject to regulation by the Alberta Superintendent of Insurance.

The address of its registered office is #300, 10709 Jasper Avenue, Edmonton, Alberta, Canada, T5J 3N3.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Company in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as set out in Part I of the Handbook of the Chartered Professional Accountants of Canada as at and applicable on December 31, 2014.

The preparation of financial statements in compliance with IFRS requires the use of certain assumptions and critical accounting estimates and requires management to exercise professional judgment in the application of accounting policies. These estimates are subject to uncertainty. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect have been disclosed in note 2.

These consolidated financial statements were approved by the Board of Directors on February 24, 2015.

BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, investment property and own-use land which are measured at fair value as noted in the accounting policies.

The functional currency is denominated in Canadian dollars and the amounts in the notes are shown in Canadian dollars, rounded to the nearest thousand dollars, unless otherwise stated. The consolidated statement of financial position is presented broadly in order of liquidity.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, PHI Properties Limited. All inter-company balances and transactions have been eliminated.

FINANCIAL ASSETS

The Company classifies its financial assets into the following categories: available-for-sale or loans and receivables.

Available-for-sale investments

Debt securities (bonds and debentures) and equity shares (common shares) are classified as available-for-sale and recognized in the consolidated statement of financial position at their fair value, based on bid prices. Transaction costs relating to the purchase of bonds, along with premiums and discounts, are recorded as part of the carrying value of the bonds at the date of purchase and amortized using the effective interest rate method, while transaction costs that relate to common shares are capitalized on initial recognition.

Purchases and sales of securities and other financial assets are recognized on trade date, being the date that the Company is committed to purchase or sell an asset.

Gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognized directly in Other Comprehensive Income (OCI), until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognized in OCI is recognized in the statement of income. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity is removed from equity and recognized in profit or loss, even though the financial asset has not been derecognized.

Derecognition occurs when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Fair value measurements on the consolidated statement of financial position or the notes to the consolidated financial statements are classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The three levels of the fair value hierarchy are:

Level 1: 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 or significant observable inputs

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

Loans and receivables

Financial assets other than available-for-sale investments are classified as loans and receivables. Loans and receivables are initially recorded at fair value and subsequently measured at amortized cost.

Interest income

Interest income and expense for all interest-bearing financial instruments are recognized within investment income and finance costs in the statement of income using the effective interest rate method.

Dividend income

Dividend income for available-for-sale equities is recognized when the right to receive payment is established. This is the ex-dividend date for equity securities.

FINANCIAL LIABILITIES

All financial liabilities are classified as other financial liabilities and are initially recorded at fair value and subsequently measured at amortized cost.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only where there is a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and liability simultaneously.

INSURANCE CONTRACTS

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk, the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Revenue recognition

Net premiums earned and service charges are recorded as revenue on a straight-line basis over the terms of the policies, usually twelve months. Unearned premiums represent the portion of premiums written that relate to the unexpired term of the policies in force.

Deferred policy acquisition costs

Policy acquisition costs comprise commissions, premium taxes, health levies and an allocation of other variable policy underwriting expenses.

Deferred policy acquisition costs relate to unearned premiums that are deferred to the extent that they are expected to be recovered from the unearned premiums, and are amortized on a straight line basis over the periods during which the premiums are earned. If the unearned premiums and anticipated investment income are not sufficient to pay expected claims and expenses (including policy maintenance expenses and unamortized policy acquisition costs), a premium deficiency exists. Premium deficiencies are recognized by first writing down the deferred policy acquisition cost asset, with any excess being recognized against underwriting income.

Provision for unpaid claims and adjustment expenses

The provision for unpaid claims represents the amount needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that have occurred on or before each statement of financial position date. A provision is also made for management's calculation of factors affecting future development of unpaid claims including claims incurred but not reported (IBNR) based on the volume of business currently in force and the historical experience on claims. The provision for adjustment expenses represents the estimated ultimate expected cost of investigating, resolving and processing these claims. As permitted by the Alberta Superintendent of Insurance, the provision estimations do not take into consideration the time value of money, or make explicit provision for adverse deviation. These estimates are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. As a result, all provisions are regularly reviewed and evaluated in the light of emerging claim experience and changing circumstances. Changes in estimates of the ultimate liability are recorded as incurred claims in the current period.

Salvage and subrogation

Salvage and subrogation recoverable are accrued on a specific case-by-case basis. The estimated amount payable to reinsurers is recorded as part of recoverable from reinsurers.

Reinsurance ceded

Premiums, claims and expenses are recorded net of amounts ceded to, and recoverable from, reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims and adjustment expenses and on unearned premiums are recorded on a gross basis as amounts recoverable from reinsurers.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

CASH AND CASH EQUIVALENTS

The Company considers deposits in banks, certificates of deposit, banker's acceptance notes, treasury bills, money market funds and short-term investments with original maturities of three months or less as cash and cash equivalents.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or other purposes.

NON-FINANCIAL ASSETS

Capital assets

Capital assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of capital assets is provided using the following methodologies and annualized rates.

Asset Description	Value Method	Depreciation Method	Rate
Land	Fair value	Non-depreciating	–
Building	Historical cost	Straight-line	3%
Leasehold improvements	Historical cost	Straight-line	Lease Term
Office equipment	Historical cost	Declining balance	20%
Computer infrastructure equipment	Historical cost	Declining balance	20%
Computer equipment	Historical cost	Straight-line	33%
Software	Historical cost	Straight-line	20%
Artwork	Historical cost	Non-depreciating	–
Automobiles	Historical cost	Declining balance	30%

Own-use land is measured at fair value. Changes in fair value are recorded in other comprehensive income but are not subsequently reclassified to profit or loss. Rather, changes in fair value remain in shareholder's equity as part of revaluation surplus.

Intangible assets

Intangible assets consist of certain acquired and internally developed software associated with the production of identifiable and unique software products controlled by the Company, and that will generate economic benefits exceeding costs beyond one year, some of which may not have yet been put into use. Intangible assets are amortized using the straight-line method over an estimated useful life of ten years. Amortization commences when the asset is available for use.

Investment property

Investment property is held for long-term rental yields and capital appreciation, and is measured at fair value. Its fair value is assessed at least on an annual basis, based on active market prices as determined periodically by an independent valuation expert. Changes in the fair value of the investment property are recognized in profit and loss.

If the investment property or portion thereof becomes owner-occupied, the portion is reclassified as capital assets, and its fair value at the date of reclassification becomes its deemed cost upon which future depreciation expense is based.

Impairment of non-financial assets

Non-financial assets, including capitalized assets used in operations and intangibles are assessed at the end of each reporting period to determine whether there is an indication of impairment. If such assets are considered to be impaired, the impairment recognized is the amount by which the carrying amount of the assets exceeds its fair value.

The carrying values of assets are written down by the amount of any impairment and this loss is recognized in the statement of income in the period in which it occurs. A previously recognized impairment loss relating to a non-financial asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the non-financial asset's recoverable amount.

INCOME TAXES

Income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Income tax payable on taxable profits is recognized as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognized as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits. Deferred tax is provided in full, using the liability method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and legislation enacted, or substantially enacted, by the statement of financial position date and is expected to apply when the deferred tax asset is realized or the deferred tax liability is settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

LEASES

Leases where the lessor retains a significant portion of risks and rewards of ownership are classified as operating leases. Rentals under operating leases (net of any incentives received) are charged to the statement of income on a straight-line basis over the period of the lease.

Assets, held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalized as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the statement of income over the period of the leases at a constant rate.

FOREIGN CURRENCY TRANSLATION

Foreign exchange gains and losses resulting from the translation and settlement of foreign currency items are recognized in the statement of income.

Translation differences on items classified as available-for-sale (for example, equity securities) are not recognized in the statement of income but are included in net gains (losses) within other comprehensive income until the sale of the asset, at which time they are transferred to the statement of income as part of the overall gain or loss on sale of the item.

COMPREHENSIVE INCOME

Comprehensive income comprises net income and other comprehensive income. The cumulative changes in other comprehensive income are included in accumulated other comprehensive income until recognized in the consolidated statement of income.

CHANGE IN ACCOUNTING POLICIES

Commencing on January 1, 2014, the Company adopted the following new or updates to accounting standards:

- IAS 32, Financial instruments: presentation, which was amended to clarify requirements related to offsetting financial assets and financial liabilities.
- IFRIC 21, Accounting for levies imposed by governments, which clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy.

The adoption of these standards did not result in changes in accounting policies or required disclosures for the Company.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the preparation of the Company's consolidated financial statements, management has made a number of estimates and judgments, the more critical of which are discussed below:

PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES

The provision for unpaid claims and adjustment expenses is valued based on Canadian accepted actuarial practice, which is designed to ensure the Company establishes an appropriate provision to cover the ultimate net cost of insured losses. These estimates are based on an independent opinion of a qualified actuary.

The determination of this provision, which includes unpaid claims, adjustment expenses, expected salvage and subrogation and the related reinsurers' share of each claim, requires an assessment of future claims development. This assessment takes into account the consistency of the Company's claim handling procedures, the best-known information available, the characteristics of the business line, historical trends, other pertinent factors and the normal delay inherent in claims reporting. This provision is an estimate and, as such, is subject to variability that may arise from future events, such as the receipt of additional claims information, changes in judicial interpretation of contracts or significant changes in frequency and severity of claims. This estimate is principally based on the Company's historical experience and may be revised as additional experience becomes available, which would be reflected in the statement of income for the period in which the change occurred.

Also included in this provision is an estimate for events that have been incurred but not reported (IBNR) and for adverse deviation (PfAD) relating to claims development.

FAIR VALUE OF INVESTMENT PROPERTY AND OWN-USE LAND

As discussed further in Note 20, investment property and own-use land is valued using the discounted cash flow (DCF) approach, as completed by qualified valuators or updated by management based on market rates. The most recent independent professional valuation was completed in September 2013. Key estimates and assumptions regarding the discounted cash flows include expected future lease payments, occupancy rates, operating costs and capital expenditures, as well as applicable discount rates and capitalization rates.

If the market rental rates used in the DCF analysis were to increase or decrease by 10% from management's estimates, the carrying amount of investment property and own-use land would be an estimated $891(2013: $859) higher or lower, respectively. If the discount rate used in the DCF analysis were to increase or decrease by 1%, the carrying amount of investment property and own-use land would be an estimated $1,583 (2013: $1,655) lower or higher, respectively. If the terminal capitalization rate used in the DCF analysis were to increase or decrease by 1%, the carrying amount of investment property and own-use land would be an estimated $739 (2013: $808) lower or higher, respectively.

IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Company determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in market prices, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

The Company did not impair any investments in the year. If all the declines in fair values below cost had been considered significant or prolonged, the Company would suffer an additional loss of $1,152 (2013: $563) to income before taxes.

3. FUTURE CHANGES IN ACCOUNTING POLICIES

The following new standards or amendments have been issued but are not yet effective. The Company is assessing the impact of the pronouncements on its results and financial position:

a) Standards effective to the Company for the year commencing January 1, 2017:

- IFRS 15, Revenue from contracts with customers, is a new standard on revenue recognition, superseding IAS 18, Revenue, IAS 11, Construction contracts, and related interpretations.

b) Standards effective to the Company for the year commencing January 1, 2018:

- IFRS 9, Financial instruments, was previously issued in November 2009 and subsequently revised, with final revisions issued in July 2014. IFRS 9 is a three-part standard to replace IAS 39, Financial instruments: recognition and measurement, addressing new requirements for:

    i. classification and measurement;
    ii. impairment; and
    iii. hedge accounting.

4. CASH AND CASH EQUIVALENTS

	2014	2013
Cash	10,203	8,277
Investments in short term paper	26,644	23,772
	36,847	**32,050**

The effective interest rate on bank account deposits is 0.9% (2013: 0.9%). The weighted average maturity on short term paper with a maturity date is 47 days (2013: 34 days).

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

2014	Cost	Amortized Discount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value Carrying Amount
Bonds and Debentures	96,814	762	572	(506)	97,642
Common Shares	28,477	–	5,039	(646)	32,870
Other Investments	28	–	–	(1)	27
	125,319	762	5,611	(1,153)	130,539

2013	Cost	Amortized Discount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value Carrying Amount
Bonds and Debentures	87,131	142	448	(301)	87,420
Common Shares	25,629	–	5,014	(266)	30,377
Other Investments	25	–	–	(2)	23
	112,785	142	5,462	(569)	117,820

BONDS AND DEBENTURES – PRINCIPAL AMOUNT AND CARRYING AMOUNT

The principal amount and carrying amount are shown by contractual maturity. Actual maturity may differ from contractual maturity because certain issuers have the right to call or prepay certain obligations with or without call or prepayment penalties.

	2014		2013	
TERM MATURITY	Principal Amount	Fair Value Carrying Amount	Principal Amount	Fair Value Carrying Amount
Government of Canada				
Due in one year or less	738	737	11,516	11,492
Between one and five years	10,411	10,457	6,470	6,481
After five years	1,484	1,512	1,280	1,377
Provincial				
Due in one year or less	2,423	2,422	–	–
Between one and five years	23,222	23,382	9,731	9,727
After five years	1,773	1,854	8,205	8,118
Corporate				
Due in one year or less	3,239	3,246	–	–
Between one and five years	40,254	40,594	37,584	37,721
After five years	13,270	13,438	12,345	12,504
	96,814	**97,642**	**87,131**	**87,420**
Due in one year or less	**6,400**	**6,405**	**11,516**	**11,492**
Between one and five years	**73,887**	**74,433**	**53,785**	**53,929**
After five years	**16,527**	**16,804**	**21,830**	**21,999**
	96,814	**97,642**	**87,131**	**87,420**

BONDS AND DEBENTURES – INTEREST RATE RISK

Details of significant terms and conditions and exposures to interest rate risk on investments are as follows:

		2014			
Interest Receivable Basis	Bond Description	Effective rates (% range)	Weighted Average	Coupon rates (% range)	Weighted Average
Semi-annual	Government of Canada	0.54 to 10.56	1.54	1.25 to 3.75	2.05
Semi-annual	Provincial	1.34 to 4.16	1.83	1.73 to 6.75	3.66
Semi-annual	Canadian Corporate	1.63 to 7.62	2.86	1.82 to 9.98	3.89

		2013			
Interest Receivable Basis	Bond Description	Effective rates (% range)	Weighted Average	Coupon rates (% range)	Weighted Average
Semi-annual	Government of Canada	1.07 to 5.48	1.66	1.25 to 5.21	2.51
Semi-annual	Provincial	1.46 to 5.09	2.29	1.70 to 6.75	3.78
Semi-annual	Canadian Corporate	1.67 to 6.02	2.91	2.17 to 6.82	4.09

COMMON SHARES AND OTHER INVESTMENTS

The Company limits its investment concentration in any one investee or related group of investees to 5% of the Company's total assets, except as allowed by Section 418(1) of the Act.

6. OTHER RECEIVABLES

Other receivables consist of broker loans, receivables from the federal goods and services rebates, and recoverable receivables through PHI Properties. The majority of the balance relates to loans to certain insurance brokers at floating interest rates. At December 31, 2014, the Company had two loans outstanding (2013: one loan). The outstanding balance of all loans at December 31, 2014 is $3,853 (2013: $2,784) with annual principal payments of $602 in the upcoming year.

One loan has a maturity date of June 30, 2023 and the other loan matures on April 30, 2024. Prepayment can occur without penalty or notice.

7. DEFERRED POLICY ACQUISITION COSTS

	2014	2013
As of January 1	**23,900**	**22,037**
Additions	54,403	49,095
Expensed during the year	(51,700)	(47,232)
As of December 31	**26,603**	**23,900**

8. CAPITAL AND INTANGIBLE ASSETS

	Land	Building	Land and Building TOTAL	Leasehold Improvements	Office Equipment & Artwork	Computing and Software	Automobiles	Other Assets TOTAL	Intangible Assets TOTAL
Carrying Value, Dec 31, 2012	**1,936**	**940**	**2,876**	**1,221**	**526**	**844**	**–**	**2,591**	**1,483**
2013:									
Additions	–	–	–	27	36	224	36	323	17
Revaluation increase	463	–	463	–	–	–	–	–	–
Disposals	–	–	–	–	(3)	(39)	–	(42)	–
Depreciation and amortization expenses	–	(51)	(51)	(166)	(105)	(263)	(1)	(535)	(252)
Net change to assets	**463**	**(51)**	**412**	**(139)**	**(72)**	**(78)**	**35**	**(254)**	**(235)**
Carrying Value									
Cost	2,399	1,442	3,841	3,809	1,653	1,591	36	7,089	2,607
Accumulated depreciation and amortization	–	(554)	(554)	(2,726)	(1,200)	(826)	(1)	(4,753)	(1,359)
Carrying Value, Dec 31, 2013	**2,399**	**888**	**3,287**	**1,083**	**453**	**765**	**35**	**2,336**	**1,248**
2014:									
Additions	–	–	–	192	16	327	607	1,142	–
Revaluation increase	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	(59)	–	(59)	–
Depreciation and amortization expenses	–	(51)	(51)	(181)	(88)	(268)	(146)	(683)	(276)
Net change to assets	**–**	**(51)**	**(51)**	**11**	**(72)**	**–**	**461**	**400**	**(276)**
Carrying Value									
Cost	2,399	1,442	3,841	4,001	1,669	1,651	643	7,964	2,607
Accumulated depreciation and amortization	–	(605)	(605)	(2,907)	(1,288)	(886)	(147)	(5,228)	(1,635)
Carrying Value, Dec 31, 2014	**2,399**	**837**	**3,236**	**1,094**	**381**	**765**	**496**	**2,736**	**972**

The Company has a multi-use property allocated between capital assets and investment property (Note 20). Land and building figures above represent the carrying amount of the portion that is used by the Company.

Intangible assets include the net book value of the internally developed underwriting system of $514 (2013: $734) and the net book value of integrated third-party financial systems that are designed specifically for the Company of $458 (2013: $514).

9. INVESTMENT PROPERTY

	Land	Building	TOTAL
Balance as of December 31, 2013	2,161	6,845	9,006
Balance as of December 31, 2014	2,161	6,845	9,006

Management has assessed that the fair value of investment property has not changed since its last independent appraisal. Income and operating expenses related to the Company's multi-use property are included in Note 13.

10. ALBERTA RISK SHARING POOL AND FACILITY ASSOCIATION RESIDUAL MARKET

The Company is a participant in the Alberta Risk Sharing Pool (ARSP) and Facility Association Residual Market (FARM). Both the ARSP and FARM are associations of insurers which provide automobile insurance for owners and operators of motor vehicles who may otherwise have difficulty obtaining such insurance.

The Company has included in its accounts the following aggregate amounts in respect of its share in the ARSP and FARM:

	2014	2013
Assets		
Due from other insurance companies	6,548	6,641
Amounts recoverable from reinsurers	2,249	2,130
Deferred policy acquisition costs	894	795
	9,691	9,566
Liabilities		
Provision for unpaid claims and adjustment expenses	10,731	10,370
Unearned premiums and reinsurance commissions	3,034	2,743
Due to other insurance companies	599	715
Other taxes due and accrued	44	41
	14,408	13,869
Revenues		
Net premiums earned	4,820	4,668
Expenses		
Claims	4,714	4,313
Commissions	1,166	1,091
Premium taxes and other taxes	354	303
Administrative	212	202
	6,446	5,909

The Company holds its proportionate share of excess funds from FARM as part of its investment portfolio in the amount of $6,419 (2013: $6,419), which are included in funds held for other insurance companies. These funds will be returned to FARM over time as needed to facilitate payment of the related policyholder claims. Premiums ceded to the ARSP were $6,273 (2013: $7,217); there are no premiums that are ceded to the FARM.

11. UNEARNED PREMIUMS AND SERVICE CHARGES

	2014		2013	
	Gross	Net	Gross	Net
As of January 1	**97,448**	**71,650**	**88,419**	**65,212**
Premiums written (ceded)	219,880	139,958	198,957	124,159
Net unearned premiums resulting from a portfolio transfer	–	–	–	(1,512)
Premiums earned	(208,441)	(131,827)	(190,042)	(116,323)
Change in unearned service charges	142	142	114	114
As of December 31	**109,029**	**79,923**	**97,448**	**71,650**

12. UNPAID CLAIMS AND ADJUSTMENT EXPENSES

Activity in the provision for unpaid claims and adjustment expenses, by line of business, is summarized below:

	Property	Auto	2014	2013
Provision for unpaid claims and adjustment expenses				
Beginning of year:				
Gross	67,637	50,282	**117,919**	**111,698**
Reinsurance ceded	(33,662)	(11,716)	**(45,378)**	**(44,248)**
Net provisions – Beginning of year	33,975	38,566	**72,541**	**67,450**
Net incurred claims and claim adjustment expenses:				
Provision for insured events of current year	47,562	37,181	**85,743**	**75,949**
Increase (decrease) in provision for insured events of prior years	474	(280)	**194**	**1,601**
Total net incurred	48,036	36,901	**84,937**	**77,550**
Net payments attributable to:				
Current year events	(23,330)	(21,498)	**(44,828)**	**(40,111)**
Prior year events	(21,904)	(13,234)	**(35,138)**	**(32,348)**
Total net payments	(45,234)	(34,732)	**(79,966)**	**(72,459)**
Net provision for unpaid claims and adjustment expenses – End of year	36,777	40,735	**77,512**	**72,541**
Reinsurance ceded – End of year	28,726	12,524	**41,250**	**45,378**
Gross provision for unpaid claims and adjustment expenses – End of year	**65,503**	**53,259**	**118,762**	**117,919**

The Company estimates that the fair value of the gross provision for unpaid claims and adjustment expenses is $121,292 (2013: $119,350) as determined on a discounted basis by the appointed actuary.

CLAIMS DEVELOPMENT (GROSS)

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company's estimate of total claims incurred for each year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

REPORTING YEAR (Gross)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Estimate of ultimate claims costs:											
At end of reporting year	58,814	53,381	66,902	77,514	90,381	87,263	127,997	98,236	116,503	119,680	896,671
1 year later	58,901	52,830	68,361	80,938	88,073	86,852	125,376	100,435	117,478		779,244
2 years later	59,711	53,902	74,660	80,889	86,419	87,109	123,799	100,301			666,790
3 years later	60,605	54,665	71,973	83,081	87,847	88,136	124,036				570,343
4 years later	61,228	54,687	70,998	83,283	87,871	87,387					445,454
5 years later	61,240	54,566	71,591	83,257	88,001						358,655
6 years later	61,646	55,066	71,787	83,444							271,943
7 years later	62,610	54,995	71,651								189,256
8 years later	62,873	54,949									117,822
9 years later	62,725										62,725
Current estimate of cumulative claims	62,725	54,949	71,651	83,444	88,001	87,387	124,036	100,301	117,478	119,680	909,652
Cumulative payments to date	(62,524)	(54,746)	(71,425)	(81,021)	(86,301)	(86,064)	(117,747)	(93,698)	(103,082)	(60,627)	(817,235)
Liability recognized in the statement of financial position	201	203	226	2,423	1,700	1,323	6,289	6,603	14,396	59,053	92,417
IBNR	13	33	252	451	822	1,103	1,671	2,791	3,517	4,787	15,440
Facility	54	46	80	94	79	211	280	238	329	497	1,908
RSP	152	260	392	524	678	887	1,121	1,418	1,428	1,905	8,765
Reserve in respect of prior years											232
Total reserve included in the statement of financial position											**118,762**

CLAIMS DEVELOPMENT (NET)

The following table considers claim liabilities after recovery from various reinsurers. The Company continues to benefit from reinsurance that was purchased in prior years and these include excess of loss reinsurance coverage.

REPORTING YEAR (Net)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
Estimate of ultimate claims costs:											
At end of reporting year	35,433	34,151	43,967	54,782	56,753	56,230	64,989	61,980	68,683	75,808	552,776
1 year later	34,067	33,062	44,834	56,716	54,847	55,576	63,982	63,271	68,169		474,524
2 years later	34,100	34,033	45,672	56,295	53,933	56,092	64,659	63,670			408,454
3 years later	34,800	34,524	45,152	59,173	54,711	56,423	65,472				350,255
4 years later	35,243	34,487	45,320	59,614	54,703	55,816					285,183
5 years later	35,116	34,854	45,495	59,580	54,712						229,757
6 years later	35,345	35,271	45,580	59,822							176,018
7 years later	35,675	35,217	45,533								116,425
8 years later	35,882	35,182									71,064
9 years later	35,887										35,887
Current estimate of cumulative claims	35,887	35,182	45,533	59,822	54,712	55,816	65,472	63,670	68,169	75,808	560,071
Cumulative payments to date	(35,764)	(35,029)	(45,366)	(58,216)	(53,548)	(54,907)	(61,226)	(58,560)	(58,889)	(41,431)	(502,936)
Liability recognized in the statement of financial position	123	153	167	1,606	1,164	909	4,246	5,110	9,280	34,377	57,135
IBNR	3	34	201	377	587	735	1,115	1,947	2,733	3,544	11,276
Facility	41	34	68	80	67	179	238	202	273	413	1,595
RSP	114	195	333	445	576	754	953	1,205	1,185	1,581	7,341
Reserve in respect of prior years											165
Total reserve included in the statement of financial position											**77,512**

13. PHI PROPERTIES LIMITED – STATEMENT OF OPERATIONS

	2014	2013
Revenue		
Rental income	2,120	1,905
Intercompany elimination	(1,150)	(1,120)
	970	785
Expenses		
Operations	935	878
Depreciation	51	51
Other	80	48
Intercompany elimination	(11)	(17)
	1,055	960
Operating loss	**(85)**	**(175)**

14. DEFINED CONTRIBUTION PENSION PLAN

The Company maintains a defined contribution pension plan and other post-retirement benefits for certain employees, which is funded by employer and employee contributions. Contributions are expensed as paid or accrued as earned. Pension expense included in administrative expenses for the year ended December 31, 2014 was $843 (2013: $877).

15. RELATED PARTY TRANSACTIONS

KEY MANAGEMENT COMPENSATION

The Company's directors and executive management are considered to be persons who have the authority and responsibility for planning, directing and controlling the Company. The compensation amounts for the year were:

	2014	2013
Salaries and other short-term employee benefits	2,243	1,921
Other long-term employee benefits	116	122
	2,359	2,043

DONATIONS

The Company made donations to individual members and organizations of the Samson Cree Nation, which is the ultimate shareholder of the Company. These donations are included in administrative expenses and amount to $204 (2013: $303).

16. COMMITMENTS

The Company has contractual obligations expiring at various dates in respect of rents payable on leased premises and equipment as follows:

	2014	2013
Within 1 year	492	753
Within 2 years	57	492
Within 3 years	2	57
Within 4 years	–	2
In excess of 4 years	–	–
Operating lease payments represent		
Contractual obligations on rental payments	459	1,002
Rentals for vehicles and equipment under operating lease agreements	92	302

The Company is also responsible for its proportionate share of operating costs under the terms of the premises leases. The leases have varying terms, escalation clauses and renewal rights.

The Company anticipates capital commitments of $761 (2013: $816) per the 2015 capital budget.

17. CONTINGENT LIABILITIES

The Company, like all other insurers, is subject to litigation in the normal course of its business. The Company does not believe that such litigation will have a material effect on its profit or loss and financial condition.

18. SHARE CAPITAL

The total authorized number of shares is twenty thousand with a par value of one hundred dollars per share, amounting to $2,000. All issued shares are fully paid and there have been no changes in the volume of shares or par value.

Total share premium, which is the difference between the par value and the actual value paid on equity, is $9,362 (2013: $9,362). All shares are held by Samson Management Limited, an entity owned by the Samson Cree Nation.

19. FINANCIAL RISK MANAGEMENT

The Board of Directors ensures that management has appropriate and reasonable risk management processes in place. Through the Audit/Conduct Review Committee and Risk Committee, the Board oversees such risk management procedures and controls and management is responsible for carrying them out. The most significant risks that the Company must manage with respect to unpaid claims and other financial instruments are product and pricing, underwriting and liability, catastrophe and reinsurance, credit, market and liquidity risks.

CREDIT RISK

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, available-for-sale financial assets, due from agents, brokers and policyholders, due from other insurance companies, reinsurance recoverables and other receivables. The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits and single issuer limits. Compliance with the investment policy is monitored by the Investment Committee of the Board of Directors. All of the Company's investments in bonds and debentures are rated A or above, except for $16,118 (2013: $14,216) which are rated BBB, as summarized below:

	2014		2013	
	Principal Amount	Fair Value Carrying Amount	Principal Amount	Fair Value Carrying Amount
Bond rating				
AAA	23,999	24,211	27,840	27,859
AA	24,380	24,529	20,160	20,137
A	32,538	32,784	24,951	25,208
BBB	15,897	16,118	14,180	14,216
	96,814	**97,642**	**87,131**	**87,420**

The Company's credit exposure to any one individual policyholder is not material. However, the Company's policies are distributed by brokers who manage cash collection on its behalf. The Company monitors its exposure to brokers and has procedures to ensure that it works with only licensed firms in good standing with their regulatory bodies.

The Company also has policies which limit its exposures to individual reinsurers and regular review processes to assess the creditworthiness of reinsurers with whom it transacts business. All reinsurers are rated A- or above. In addition, for reinsurers not licensed in Canada, funds of $1,958 (2013: $665) are held on deposit for settlement of unpaid claims and adjustment expenses when paid. These deposits are included in funds held for other insurance companies.

The Company's maximum credit exposure is the carrying value of the financial assets recorded on the statement of financial position.

INTEREST RATE RISK

Interest rate risk refers to the risk that the value of a financial instrument may fluctuate due to changes in interest rates. The Company is exposed to interest rate risk through investments in bonds and debentures, which are sensitive to changes in interest rates.

At December 31, 2014, a 1% change in interest rates, with all other variables held constant, could impact the fair value of bonds and debentures by $3,919 (2013: $3,355). The change would be recognized in other comprehensive income.

MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as equity market fluctuations and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. At December 31, 2014, a 10% change in the fair value of equity holdings in the Company's investment portfolio, with all other variables held constant, would have an estimated effect on the fair values of common shares and other investments of $3,289 (2013: $3,038). The change would be recognized in other comprehensive income.

The Company holds foreign currency denominated common shares and other investments in the amount of $14,954 (2013: $13,680). A 10% change in the value of the foreign currencies would affect the fair value of the investments by $1,495 (2013: $1,368).

To mitigate these risks, the Company's exposures are monitored on a regular basis and actions are taken to balance positions when approved risk tolerance limits are exceeded. Compliance with the investment policy is monitored by the Investment Committee of the Board of Directors. Diversification techniques are employed to minimize risk. The policy limits the investment in any entity or group of related entities to a maximum of 5% of the Company's total assets. External investment managers manage the Company's investment portfolio and asset mix based on the investment policy guidelines.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its cash obligations as they fall due. The Company does not have material liabilities that can be called unexpectedly. Claims and claims adjustment expenses and administrative expenses are funded by current operating cash flows which normally exceed cash requirements. The timing and amount of catastrophe claims events are inherently unpredictable and may create increased liquidity requirements.

Prudent liquidity management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. Liquidity risk is managed by maintaining a highly liquid investment portfolio. In addition, at December 31, 2014, the Company has $34,890 (2013: $32,050) of cash and cash equivalents.

The payment obligations associated with financial liabilities on the statement of financial position are generally expected to be discharged during the next fiscal year. More than half of the provision for unpaid claims and adjustment expense is expected to be settled in the coming year. The modified duration for unpaid claims liability, on a net basis, is 1.83 years (2013: 1.72 years).

20. FAIR VALUES

The following tables summarize fair value measurements recognized in the statement of financial position or disclosed in the Company's financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements. There were no transfers between levels in the hierarchy during the year.

	December 31, 2014				December 31, 2013			
	Carrying Amount	FAIR VALUE			Carrying Amount	FAIR VALUE		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Recurring measurements								
Bonds and Debentures								
Government of Canada	12,706	–	12,706	–	19,350	–	19,350	–
Provincial	27,658	–	27,658	–	17,845	–	17,845	–
Canadian corporate	57,278	–	57,278	–	50,225	–	50,225	–
	97,642	–	97,642	–	87,420	–	87,420	–
Common Shares								
Pooled Global Equity Funds	14,953	–	14,953	–	13,680	–	13,680	–
Financials	6,396	6,396	–	–	6,126	6,126	–	–
Energy	2,995	2,995	–	–	3,296	3,296	–	–
Industrials	1,823	1,823	–	–	1,635	1,635	–	–
Consumer Discretionary	1,631	1,631	–	–	1,514	1,514	–	–
Materials	1,521	1,521	–	–	1,380	1,380	–	–
Consumer Staples	1,158	1,158	–	–	680	680	–	–
Information Technology	765	765	–	–	669	669	–	–
Health Care	669	669	–	–	574	574	–	–
Telecommunication Services	519	519	–	–	533	533	–	–
Utilities	440	440	–	–	290	290	–	–
	32,870	17,917	14,953	–	30,377	16,697	13,680	–
Other Investments	27	–	27	–	23	–	23	–
Total financial assets	**130,539**	**17,917**	**112,622**	**–**	**117,820**	**16,697**	**101,123**	**–**
Non-financial assets								
Land	2,399	–	–	2,399	2,399	–	–	2,399
Investment Property	9,006	–	–	9,006	9,006	–	–	9,006
Total non-financial assets	**11,405**	**–**	**–**	**11,405**	**11,405**	**–**	**–**	**11,405**
Fair values disclosed								
Other receivables	4,487	–	4,487	–	3,537	–	3,537	–
Provision for unpaid claims and adjustment expenses (Note 12)	118,762	–	121,292	–	117,919	–	119,350	–

The fair values of the following financial assets and liabilities approximate their carrying value due to their short-term or liquid nature:

- Cash and cash equivalents
- Accrued investment income
- Due from and to agents, brokers and policyholders
- Due from and to other insurance companies
- Salvage and subrogation recoverable
- Reinsurance recoverables
- Expenses due and accrued
- Other taxes due and accrued
- Funds held for other insurance companies

INVESTMENTS

The fair value of Level 2 bonds and debentures, pooled global equity funds and other investments was determined by obtaining quoted market prices or executable dealer quotes for identical or similar instruments in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

OWN-USE LAND AND INVESTMENT PROPERTY

The Company's head office location is a multi-use property. The portion of the property held for own-use is classified in capital assets, with the own-use land portion measured at fair value, and the portion rented to third parties is classified as investment property and measured at fair value.

The fair value of the own-use land and investment property are assessed on a periodic basis, based on active market prices as determined periodically by an independent valuation expert. The overall property is independently valued at least once every 3 years. The finance department verifies all major inputs to the valuation and reviews the results with the independent valuer.

Investment property and own-use land are valued on a highest and best use basis. The current use is considered to be the highest and best use, except for own-use land, which is valued in conjunction with the investment property, as opposed to being based on internal use.

During the year, a revaluation of the own-use land and investment property was conducted which revealed no increase to the fair value (2013: $463) to the own-used land and therefore, no revaluation amount has been recorded on the statement of income (2013: $1,327).

The fair values for own-use land and investment property are calculated using the discounted cash flow approach (DCF), which results in these measurements being classified as Level 3 in the fair value hierarchy. In applying this approach, the 10-year net operating cash flows of the property are discounted using an appropriate long-term discount rate. A terminal resale estimate is also included in the DCFs, based on net operating cash flows divided by an appropriate terminal capitalization rate. These estimates are then also compared for reasonability to other approaches, such as the direct comparison approach and the direct income capitalization method.

The net operating cash flows are calculated from forecasted revenues less property operating expenses adjusted for items such as average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.

The terminal capitalization rate is based on the actual location, size and quality of the property and taking into account any available market data.

Significant unobservable inputs into Level 3 valuations are as follows:

	December 31, 2014		December 31, 2013	
	Range	Weighted average	Range	Weighted average
Annual net operating cash flows over 10 years	$1,208 to $1,394	$1,320	$1,026 to $1,430	$1,330
Discount rate	6.50% to 7.00%	6.75%	6.50% to 7.00%	6.75%
Terminal capitalization rate	n/a	7.5%	n/a	7.5%

21. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure that the Company is capitalized in a manner which provides a strong financial position for its policyholders and exceeding the regulatory capital requirement in order to build longterm shareholder value. Quarterly, the Board of Directors review available capital as defined for regulatory purposes to ensure it is meeting regulatory requirements. Management performs a similar review on a monthly basis.

Adequate capital acts as a safety net for possible losses and provides a basis for confidence in the company by shareholders, policyholders, creditors and others. Capital funds are managed with plans that are put in place by the senior executive management of the Company. Capital is comprised of share capital, share premium, accumulated other comprehensive income and retained earnings.

Reinsurance is purchased to protect the Company's capital from catastrophic losses which can arise. Both the incidence and severity of catastrophic losses can be unpredictable but the Company's reinsurance program limits the exposure to any single catastrophic loss.

The financial strength of property and casualty insurers is measured by regulators using the Minimum Capital Test (MCT). This test compares a company's capital which includes accumulated other comprehensive income against the risk profile of the company. Various factors are applied to many different elements including assets, policy liabilities, and the type of invested assets. The Company's regulator, the Alberta Superintendent of Insurance, requires that the Company attain a minimum MCT ratio of 210%.

The Company was positioned in excess of this compliance requirement as at December 31, 2014 with a ratio of 262.0% (2013: 276.7%).

	2014	2013
Total capital available	70,923	69,769
Total capital required	27,074	25,213
Minimum capital test (MCT)	**262.0%**	**276.7%**

Annually, the Company performs dynamic capital adequacy testing on the MCT to ensure that the Company has sufficient capital to withstand significant adverse event scenarios. These scenarios are reviewed each year to ensure appropriate risks are included in the testing process.

22. INSURANCE RISK MANAGEMENT

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company is at risk for losses in the event that incomplete or incorrect assumptions or information are used when pricing, issuing or reserving for insurance products. Insurance risks include underwriting and liability risk, product and pricing risk and catastrophe and reinsurance risk.

UNDERWRITING AND LIABILITY RISK

Underwriting and liability risk is the exposure to financial loss resulting from the selection and approval of risks to be insured, the retention and transfer of risks, the reserving and adjudication of claims, and the management of contractual and non-contractual product options.

The Company has specific underwriting guidelines for risk eligibility and establishes a line guide to ensure that the limits of insurance for a particular risk do not exceed the Company's net retention or maximum written limits. Net retention is the maximum amount of insurance that the Company will retain on a single exposure. Coverage in excess of its net retention is reinsured up to its maximum written limits.

Notes 2 and 12 provide further information on the uncertainties in estimating the provision for unpaid claims and adjustment expenses, as well as the historical development of claims over time.

PRODUCT AND PRICING RISK

Product and pricing risk is the risk of financial loss from entering into insurance contracts when the liabilities assumed exceed the expectation reflected in the pricing of the insurance product. The Company prices its products, with the assistance of its external actuary, by taking into account several factors, including claims frequency, severity trends, product line expense ratios, special risk factors, capital requirements and investment income. These factors are reviewed and adjusted as needed on a regular basis to ensure they are reflective of current trends and market climate.

The Company writes compulsory automobile business that is subject to regulation which comprises approximately 19.2% (2013: 20.9%) of total net premiums written. These premiums can be impacted by mandatory rate roll backs and mandatory rate assessments as legislated by provincial law and by regulation in certain provinces. This could result in lower future premium rates or reductions to premium rates charged by the Company. In addition, the Company is required, under certain provincial legislation, to participate in risk sharing pools which may impact positively or negatively upon underwriting results (note 10). Certain benefit payments are also subject to provincial government regulation including automobile accident benefits.

CATASTROPHE AND REINSURANCE RISK

Catastrophes and large loss events can have a significant effect on the Company's operating results and financial condition. Catastrophic loss risk is the exposure to loss resulting from multiple claims arising out of a single catastrophic event. Potential events include perils such as earthquake, tornado, wind or hail. The Company seeks to reduce the loss that may arise from catastrophe or other events that cause unfavorable underwriting results by reinsuring certain levels of risks, in various areas of exposure, with other insurers. The Board of Directors has approved and annually reviews the reinsurance policy which deals with the types of reinsurance programs placed and the practices management follows in managing and placing these programs.

The Company follows the policy of underwriting and reinsuring contracts of insurance that limit the net exposure of the Company to a maximum amount on any one loss of $1,245 (2013: $1,038) in the event of a claim or a catastrophe, excluding reinstatement fees when applicable. In addition, the Company has catastrophe reinsurance having an upper limit of $170,000 (2013: $185,000).

The amounts shown in the consolidated statement of income are net of the following amounts relating to reinsurance ceded to other companies.

	2014	2013
Net premium earned reduced by	70,341	64,990
Claims incurred reduced by	45,168	47,154
Commissions and premiums taxes reduced by	12,908	12,514

23. INCOME TAXES

The provision for income taxes reflects an effective tax rate that differs from the combined tax rate for Canadian federal and provincial corporate taxes for the following:

INCOME TAX EXPENSE

	2014	2013
Current income taxes		
Current taxes on income for the year	312	(9,919)
Current taxes referring to previous years	(48)	8,115
Transfer from accumulated other comprehensive income	(31)	497
	233	(1,307)
Defered income taxes		
Current deferred taxes	(103)	312
Adjustments in respect of prior years	46	755
Transfer to revaluation surplus	–	(103)
	(57)	964
Total income tax expense	**176**	**(343)**

RECONCILIATION TO STATUTORY INCOME TAX RATE

A reconciliation of income tax calculated at the statutory tax rate with the income tax provision at the effective tax rate in the financial statements is summarized in the following table:

	2014	2013
Income before income taxes	899	(1,055)
Provision for income taxes at the statutory income tax rate of 25.4% (2013: 25.3%)	226	(267)
Impact of tax rate changes for deferred income taxes	(14)	(39)
Non-deductable expenses	69	46
Non-taxable investment income	(102)	(184)
Other including permanent differences	(3)	101
	176	(343)

COMPOSITION OF DEFERRED INCOME TAXES

The deferred income tax assets and liabilities comprise the following:

	2014	2013
Provision for unpaid claims and adjustment expenses	956	893
Tax losses carried forward	21	21
Available-for-sale financial assets	(48)	(59)
Capital and intangible assests	(356)	(395)
Other	(69)	(19)
Deferred income tax assets	**504**	**441**
Investment property	2,176	2,170
Deferred income tax liabilities	**2,176**	**2,170**
Deferred tax asset to be recovered after more than 12 months	504	441
Deferred tax liabilites to be recovered greater than 12 months	2,176	2,170

24. SUPPLEMENTAL CASH FLOW INFORMATION

	2014	2013
Cash paid for		
Income taxes	326	8,369
Cash received from		
Dividends	2,184	1,893
Interest	3,027	4,469
Income taxes	7,522	249

25. ADMINISTRATIVE EXPENSES

	2014	2013
Salaries and employment benefits	14,108	13,080
Directors remuneration	473	398
Office administration	976	884
Depreciation and amortization	959	787
Occupancy costs	876	792
Business development	875	930
Electronic payment fees	836	722
Bureaus and associations	709	661
Inspections and investigations	615	893
Employee development and retention	430	269
Professional fees	348	405
Information technology	324	215
Community development and donations	241	327
Allowance for doubtful accounts	93	70
Other expenses	771	805
	22,634	**21,238**

26. SUBSEQUENT EVENT

The Board of Directors declared and paid a dividend to the shareholder of $379 (2013: nil) on February 24, 2015.

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