

Combined Financial Statements of

**NOVA SCOTIA SCHOOL
INSURANCE PROGRAM**

Year ended March 31, 2017



KPMG LLP
Suite 1500 Purdy's Wharf Tower 1
1959 Upper Water Street
Halifax, NS B3J 3N2
Canada

Telephone (902) 492-6000
Fax (902) 492-1307
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Subscribers of Nova Scotia School Insurance Exchange

We have audited the accompanying combined financial statements of Nova Scotia School Insurance Program, which comprises the combined statement of financial position as at March 31, 2017, the combined statements of income, comprehensive income, changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 an audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to SIP's preparation and fair presentation of the combined 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 SIP'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 combined 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, these combined financial statements present fairly, in all material respects, the combined financial position of Nova Scotia School Insurance Program as at March 31, 2017, and the combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants, Licensed Public Accountants

June 16, 2017

Halifax, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Combined Statement of Financial Position

As at March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 3,136,984	\$ 3,411,179
Deposits with other financial institutions	206,062	343,269
Investments (note 4)	9,024,812	8,974,365
Loans and receivables	877	12,263
Excess insurance recoverable (note 7)	164,178	471,818
Other assets	116,965	138,419
Property, plant and equipment (note 5)	17,373	20,047
Total assets	\$12,667,251	\$13,371,360
Liabilities		
Accounts payable and accrued liabilities	\$ 156,940	\$ 687,135
Premiums received in advance	3,117,592	3,161,096
Claims liabilities (note 7)	4,117,485	4,556,008
Total liabilities	7,392,017	8,404,239
Subscribers' reserves:		
Rate stabilization reserves (note 10)	4,622,563	4,373,278
Accumulated other comprehensive income	652,671	593,843
	5,275,234	4,967,121
Commitments (note 11)		
Total liabilities and reserves	\$12,667,251	\$13,371,360

See accompanying notes to combined financial statements.

On behalf of the Board of Directors:



Director



Director

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Combined Statement of Income

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Insurance activity		
Premiums earned	\$ 2,089,991	\$ 1,676,751
Claims paid	1,497,023	1,824,304
Claims liabilities (note 7)	(405,417)	(820,163)
Claims incurred	1,091,606	1,004,141
Premiums in excess of claims incurred	998,385	672,610
Investment income (expenses)		
Investment income (note 4(b))	402,636	347,002
Investment management fees	(41,298)	(43,147)
Net investment activity result	361,338	303,855
Other expenses		
Insurance operating expenses	15,567	5,113
Operating expenses (note 13)	1,094,871	1,013,027
Total other expenses	1,110,438	1,018,140
Net income (loss)	\$ 249,285	\$ (41,675)

See accompanying notes to combined financial statements.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Combined Statement of Comprehensive Income

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Net income (loss)	\$ 249,285	\$ (41,675)
Other comprehensive income (loss)		
Available-for-sale financial assets:		
Unrealized (loss) gain on investment securities	167,090	(210,926)
Reclassification adjustments:		
Realized (gain) loss on disposal of available-for-sale financial assets	(108,369)	8,331
Amortization of premiums and discounts recognized under the effective interest rate method	107	-
Total other comprehensive income (loss)	58,828	(208,434)
Comprehensive income (loss)	\$ 308,113	\$ (250,109)

See accompanying notes to combined financial statements.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Combined Statement of Changes in Reserves

Year ended March 31, 2017, with comparative information for 2016

	Reserves	Accumulated Other Comprehensive Income	Total
Balance, March 31, 2015	\$4,414,953	\$802,277	\$5,217,230
Net loss	(41,675)	—	(41,675)
Other comprehensive income	—	(208,434)	(208,434)
Balance, March 31, 2016	\$4,373,278	\$593,843	\$4,967,121
Net income	249,285	—	249,285
Other comprehensive income	—	58,828	58,828
Balance, March 31, 2017	\$4,622,563	\$652,671	\$5,275,234

See accompanying notes to combined financial statements.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Combined Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ 249,285	\$ (41,675)
Adjustments for:		
Depreciation of property and equipment	10,240	16,343
Gain on sale of property and equipment	(240)	(10)
Investment income	(402,636)	(347,002)
IBNR reserve change	(136,913)	(264,303)
Reserve adjustments	(301,610)	(383,200)
Decrease (increase) in loans and receivables	11,387	(11,720)
Decrease (increase) in excess insurance recoverable	307,640	(172,660)
Increase in other assets	21,454	4,558
Decrease (increase) in prepaid underwriting premiums	—	98,873
(Decrease) increase in accounts payable and accrued liabilities	(530,195)	589,245
(Decrease) increase in premiums received in advance	(43,504)	1,312,586
Proceeds from interest income	121,630	164,186
Proceeds from dividend income	176,263	177,140
	(517,199)	1,142,361
Investments:		
Fixed income investment purchases	(610,814)	—
Equity investment purchases	(312,686)	(124,183)
Proceeds from investment disposals:		
Fixed income investments	500,000	762,008
Equity investments	536,623	153,214
Proceeds from sale of property and equipment	240	10
Additions to property and equipment	(7,566)	(7,351)
	105,797	783,698
(Decrease) increase in cash flow for the year	(411,402)	1,926,059
Cash and other cash deposits, beginning of year	3,754,448	1,828,389
Cash and other cash deposits, end of year	\$ 3,343,046	\$ 3,754,448
Cash and other cash deposits consist of the following balances:		
Cash and cash equivalents	\$ 3,136,984	\$ 3,411,179
Deposits with other financial institutions	206,062	343,269
	\$ 3,343,046	\$ 3,754,448

See accompanying notes to combined financial statements.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements

Year ended March 31, 2017

The Nova Scotia School Insurance Program ("SIP") is the combination of the Nova Scotia School Insurance Exchange (the "NSSIE") and its Attorney-in-Fact, the Nova Scotia School Insurance Program Association (the "NSSIPA"). SIP underwrites property and casualty insurance for its Subscribers. The NSSIE Subscribers comprise the seven Nova Scotia regional school boards, one provincial school board and the Nova Scotia Community College.

The NSSIE, established under a reciprocal insurance exchange agreement dated December 1, 2000, is licensed in the province of Nova Scotia by the Superintendent of Insurance ("NSSI") to provide property and liability insurance including educational errors and omissions in accordance with Part XII of the Insurance Act (Nova Scotia) R.S.N.S. 1989, c. 231, specifically Section 321.1.

SIP's registered office is located at Suite 150 – 11 Akerley Blvd, Dartmouth, Nova Scotia.

1. Basis of presentation:

(a) Statement of compliance:

The combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

The combined financial statements were authorized for issue by the Board of Directors on June 16, 2017.

(b) Basis of combination

The combined financial statements reflect all the assets, liabilities, revenue, expenses and cash flows of the SIP, which includes 100% of NSSIE and NSSIPA. There are no other related or associated entities that have not been included that operate under the common name SIP. SIP is consolidated with the Nova Scotia Government Public Accounts.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

1. Basis of presentation (continued):

The statements were prepared on a combined basis to reflect the underlying expenses incurred by the NSSIPA as Attorney-in-Fact on behalf of the NSSIE, which is funded by NSSIE contributions to NSSIPA. All intercompany balances and transactions have been eliminated.

(c) Basis of measurement:

The combined financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value.

(d) Functional and presentation currency:

These combined financial statements are presented in Canadian dollars, which is SIP's functional currency. All financial information is presented in Canadian dollars.

(e) Combined statement of financial position:

SIP presents its combined statement of financial position in order of liquidity. Assets and liabilities that are expected to be recovered or settled in more than 12 months after the reporting date are summarized in notes 4 and 8.

2. Significant accounting policies:

(a) Premiums:

Premiums are earned over the term of the related policy period. As SIP's policy year ends March 31, there are no unearned premiums at March 31. Premiums received in advance relate to premiums received in the current year for the policy period commencing April 1 of the following year.

(b) Financial assets and liabilities:

(i) Financial assets:

SIP accounts for all financial assets using trade date accounting. Transaction costs related to the purchase of financial instruments are recorded as part of the carrying value.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

Cash comprises cash on account and demand deposits. Cash equivalents are short term highly liquid investments with an original maturity of less than three months that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

All investments are designated as available-for-sale ("AFS") securities. AFS securities are carried at fair value whereby the unrealized gains and losses are included in accumulated other comprehensive income ("AOCI") until sale or an impairment loss is recognized, at which point cumulative unrealized gains or losses are included in investment income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Loans and receivables, and other financial liabilities (liabilities other than insurance policy liabilities) are accounted for at amortized cost.

(ii) Financial liabilities:

Financial liabilities are recognized initially on the trade date at which SIP becomes a party to the contractual provisions of the instrument. SIP derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. SIP has the following non-derivative financial liabilities: accounts payable and accrued liabilities.

(iii) Fair value measurement principles:

SIP's financial instruments recorded at fair value have been categorized based upon the following fair value hierarchy:

- Level 1 – Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date. Level 1 primarily includes publicly listed investments.
- Level 2 – Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 investments consist primarily of pooled /mutual funds.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

- Level 3 – valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the investments.

(iv) Investment income:

Dividends and interest income are included in investment income and are recorded as they accrue. Interest is recognized using the effective interest rate method. Income distributions from Canadian income trusts are recorded as income when received. Dividend income on equity investments is recorded on the ex-dividend date.

(v) General investment expenses:

General investment expenses are recognized as incurred.

(c) Property and equipment:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

Amortization is provided using the straight-line basis over the following periods:

Asset	Rate
Leasehold improvements	10 years
Furniture and equipment	3 years
Computer hardware	2 years

Leasehold improvements are amortized at the lower of the lease term or 10 years.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(d) Claims liabilities:

Provision has been made for the estimated liability for all reported and outstanding claims using a case-basis evaluation plus an amount for adverse development and for claims incurred to March 31, which have not yet been reported to SIP. The computation of these provisions takes into account the time value of money using discount rates based on projected investment income from the assets supporting these provisions.

Since the amounts are necessarily based on estimates of future trends in claim severity and other factors which could vary as the claims are settled, the ultimate liability may be more or less than the estimated amounts. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the unpaid claims amounts and related adjustment expenses are adequate. The estimates are annually reviewed by an actuary and, as adjustments to these liabilities become necessary, they are reflected in current operations.

(e) Additional coverage and other primary insurance coverage:

SIP, on behalf of its Subscribers, obtains additional coverage and other primary insurance coverage. No amount has been recorded related to this other coverage as SIP is not an insurer in these contracts.

(f) Salvage and subrogation recoverable:

In certain circumstances, SIP acquires the right to pursue third parties for losses paid to policyholders under insurance contracts or to dispose of the damaged goods. SIP has recognized and disclosed all identifiable and measurable amounts it expects to recover and recoverable amounts are not recognized until paid or confirmed by SIP's solicitor or adjusters.

(g) Insurance contracts:

Insurance contracts are those contracts that have insurance risk throughout the term of the contract. Insurance risk arises when SIP agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. It is defined as the possibility of paying significantly more in a scenario where the insured event occurs than when it does not occur.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(h) Income taxes:

As an exchange under *The Insurance Act* of Nova Scotia, the NSSIE is not subject to income taxes and, accordingly, no provision for income taxes has been made in these combined financial statements.

As a not-for-profit organization under *The Societies Act* of Nova Scotia, the NSSIPA is not subject to income taxes and accordingly no provision for income taxes has been made in these combined financial statements.

(i) Impairment:

(i) Financial assets:

A financial asset carried at amortized cost is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to SIP on terms that SIP would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on AFS investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on AFS financial assets, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

(ii) Non-financial assets:

The carrying amounts of SIP's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less expected selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in income in the period in which the impairment is determined.

(j) Foreign currency translation:

The Canadian dollar is the functional and presentation currency of SIP. Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Translation differences on AFS investments are classified as other changes in the carrying value of the investment and are recognized in other comprehensive income.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(k) New standards and interpretations not yet adopted:

(i) IFRS 9 "Financial Instruments":

In July 2014, the IASB issued IFRS 9 Financial Instruments: Classification and Measurements ("IFRS 9"), replacing IAS 39, Financial instruments: Recognition and Measurement. IFRS 9 is effective for the annual period beginning on April 1, 2018, with early adoption permitted. The Company currently plans to apply IFRS 9 on April 1, 2018. The actual impact of adopting IFRS 9 on the Company's consolidated financial statements in 2018 has not been determined.

ii) Amendments to IAS 1:

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

SIP intends to adopt these amendments in its financial statements for the annual period beginning April 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

3. Significant judgments and estimates:

SIP makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Significant judgments:

Significant judgments made in applying accounting policies relate to impairments on AFS financial assets. As of each reporting date, SIP evaluates AFS financial assets in an unrealized loss position for impairment on the basis described in note 2(i).

For investments in bonds and debentures, evaluation of whether impairment has occurred is based on SIP's best estimate of the cash flows expected to be collected at the individual investment level. SIP considers all available information relevant to the collectability of the investment, including information about past events, current conditions, and reasonable and supportable forecasts. Estimating such cash flows is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments. Where possible, this data is benchmarked against third party sources. Impairments for bonds and debentures in an unrealized loss position are deemed to exist when SIP does not expect full recovery of the amortized cost of the investment based on the estimate of cash flows expected to be collected or when SIP intends to sell the investment prior to recovery from its unrealized loss position.

For equity investments, SIP recognizes an impairment loss in the period in which it is determined that an investment has experienced significant or prolonged loss position.

(b) Estimates:

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustment within the next twelve months relate to claims liabilities.

Provisions for claims liabilities are valued based on Canadian accepted actuarial practice, which are designed to ensure SIP establishes an appropriate reserve on the combined statement of financial position to cover insured losses and claims expenses with respect to the reported and unreported claims incurred as of the end of each accounting period. The policy liabilities include a provision for unpaid claims and adjustment expenses on the expired portion of policies and of future obligations on the unexpired portion of policies. In performing the valuation of the liabilities for these contingent future events, the Appointed Actuary makes assumptions as to future loss ratios, trends, investment rates of return, expenses and other contingencies, taking into consideration the circumstances of SIP and the nature of the insurance policies.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

3. Significant judgments and estimates (continued):

The assumptions underlying the valuation of provisions for unpaid claims and adjustment expenses are reviewed and updated by SIP on an ongoing basis to reflect recent and emerging trends in experience and changes in risk profit of the business.

4. Investments:

	2017	2016
Bonds:		
Government	\$ 937,230	\$ 972,542
Corporate	1,450,886	1,956,128
Pooled bond funds units	4,439,944	3,878,893
Equities:		
Common shares	1,283,310	1,314,350
Mutual and pooled funds units	913,442	852,452
	\$ 9,024,812	\$ 8,974,365

The fair values of securities are based on quoted market values. Pooled funds and mutual funds are valued using an estimated fair value derived from the quoted market values of the underlying investments held by the respective pooled or mutual fund.

Fair values of cash equivalents and accrued investment income approximate their carrying values due to the short-term maturity of these items.

(a) Liquidity:

Maturity profile as at March 31, 2017

	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years
Bonds	\$1,023,618	\$420,311	\$323,701	\$587,564	\$4,458,058

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

4. Investments (continued):

Maturity profile as at March 31, 2016

	Within 1 year	1-3 years	3-5 years	5-10 years	Over 10 years
Bonds	\$510,355	\$1,485,636	\$332,586	\$591,230	\$3,866,872

The weighted average yield for debt securities based on market value at March 31, 2017 is 3.6% (March 31, 2016 – 3.7%).

(b) Investment and other income:

	2017	2016
Interest	\$ 116,238	\$ 174,725
Dividends	178,029	180,608
Gain (loss) on sale of investments	108,369	(8,331)
	\$ 402,636	\$ 347,002

Dividends includes re-invested dividends of \$5,699 (2016 - \$6,596) related to mutual funds and short term investments.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

5. Property and equipment:

	Furniture and equipment	Computer hardware	Leasehold improvements	Total costs:
Balance, March 31, 2016	\$ 77,679	\$ 48,642	\$ 8,759	\$135,080
Additions	2,712	4,854	—	7,566
Disposals	—	(2,127)	—	(2,127)

Balance, March 31, 2017	80,391	51,369	8,759	140,519
-------------------------	--------	--------	-------	---------

Accumulated depreciation:

Balance, March 31, 2016	65,425	46,015	3,593	115,033
Depreciation for the year	6,347	3,017	876	10,240
Disposals	—	(2,127)	—	(2,128)
Balance, March 31, 2017	71,772	46,905	4,469	123,146

Carrying amounts:

Balance, March 31, 2016	\$ 12,254	\$ 2,627	\$ 5,166	\$ 20,047
Balance, March 31, 2017	\$ 8,619	\$ 4,464	\$ 4,290	\$ 17,373

6. Limits of liability:

(a) Commercial general liability insurance:

The limit of liability for liability insurance is a maximum of any one loss of \$250,000 subject to a policy annual aggregate of \$1 million. The Subscriber pre-entry deductible is \$1,000 for third-party property damage only. There is no deductible for bodily or personal injury. These policy liability limits were in effect for both fiscal years 2017 and 2016.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

6. Limits of liability (continued):

(b) Property insurance:

The limit of liability for property insurance is a maximum amount of any one loss of \$250,000 subject to a policy annual aggregate of \$1 million. The Subscriber pre-entry deductible is \$5,000. These policy liability limits were in effect for both fiscal years 2017 and 2016.

(c) Educational errors and omissions insurance:

The limit of liability for errors and omissions insurance is a maximum amount of any one loss of \$250,000 subject to a policy annual aggregate of \$1 million. The Subscriber pre-entry deductible (after the SIP self-insured retention of \$250,000) is \$1,000. These policy liability limits were in effect for both fiscal years 2017 and 2016.

7. Claims liabilities:

(a) Nature of claims liabilities:

Claims liabilities are estimates subject to variability and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, or significant change in severity or frequency of claims from historical trends. The estimates are principally based on SIP's historical experience. Methods of estimation have been used which SIP believes produce reasonable results given current information.

SIP strives to establish adequate claim liabilities at the original valuation date. However, as time passes, the ultimate cost of claims becomes more certain. During 2017, SIP experienced favourable claims development of \$526,595 (2016 favourable claims development - \$600,067).

The table below details the claim liabilities by risk categories:

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

7. Claims liabilities (continued):

	2017 Gross	2017 Net	2016
Property	\$ 962,019	\$ 797,841	\$ 1,731,025
Comprehensive general liability	2,847,320	2,847,320	2,726,672
Educational errors and omissions	308,146	308,146	98,311
	<u>\$ 4,117,485</u>	<u>\$ 3,953,307</u>	<u>\$ 4,556,008</u>

Management has concluded that the best estimate of the fair value of claims liabilities currently available is the amount calculated by the Appointed Actuary. The Actuary's calculated value as at March 31, 2017 amounted to \$4,117,485 (2016 - \$4,556,008).

(b) Discounting of the claims liabilities

The provision for claims liabilities is discounted using rates based on the projected investment income from the assets supporting the provisions, and reflecting the estimated timing of payments and recoveries. The discount rate used in the valuation was 0.98% (2016 – 1.10%).

The provision estimates are as follows:

	2017		2016	
	Discounted	Undiscounted	Discounted	Undiscounted
Gross provision	\$4,117,485	\$3,754,566	\$4,556,008	\$4,205,253
Excess insurance recoverable	(164,178)	(175,384)	(471,818)	(456,768)
Net provision	<u>3,953,307</u>	<u>3,579,182</u>	<u>4,084,190</u>	<u>3,748,485</u>

Undiscounted provisions reflect the estimated claims and related expenses prior to the effect of discounting and provision for adverse deviation (PFAD) determined by the appointed actuary.

(c) Insurance contract provision:

	2017 Gross	2017 Net	2016
Notified claims	\$ 2,327,881	\$ 2,327,881	\$ 2,629,491
Claims incurred but not reported	1,789,604	1,789,604	1,926,517
Excess insurance recoverable	—	(164,178)	—
	<u>\$ 4,117,485</u>	<u>\$ 3,953,307</u>	<u>\$ 4,556,008</u>

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

7. Claims liabilities (continued):

(d) Analysis of movements in insurance contract provisions:

	2017	2016
Balance, April 1	\$ 4,084,189	\$ 4,904,353
Current year claims and expenses	1,875,960	1,891,568
Prior year (favourable) development	(526,595)	(600,067)
Total claims incurred	5,433,554	6,195,854
Increase due to changes in discount rate and PFAD	38,421	(9,213)
Claims and related expenses paid	(1,793,202)	(2,102,451)
Excess insurance recoverable	164,178	471,818
Excess reinsurance received	274,534	0
Balance, March 31	\$ 4,117,485	\$ 4,556,008

(e) Methodologies and assumptions:

The provision for claims liabilities is an estimate that is determined using a range of accepted actuarial claims projection techniques determined based on the line of business. The reported amount is based on studies of past experience. The key assumption of the incurred loss/paid loss claims development method is that claims recorded to date will continue to develop in a similar manner in the future. These techniques use SIP's historical claims development patterns to predict future claims development. In situations where there has been a significant change in the environment or underlying risks, the historical data is adjusted to account for expected differences. The historical studies are regularly compared to current emerging experience so that adjustments may be made as necessary.

In order to calculate the carrying value of the unpaid claims, SIP uses an actuarial approach recognizing the time value of money which incorporates assumptions concerning projected cash flows and appropriate provisions for adverse deviations. The actuarially determined carrying value of claims liabilities is considered an indicator of fair value, as there is no ready market for the trading of insurance policy liabilities.

The provision for claims liabilities is discounted as described in note 7(b).

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

7. Claims liabilities (continued):

(f) Changes in assumptions:

Consideration is given to the characteristics of the risks, historical trends, the amount of data available on individual claims, inflation and any other pertinent factors. Some assumptions require a significant amount of judgment such as the expected future impacts of future judicial decisions and government legislation. The diversity of these considerations result in it not being practicable to identify and quantify all individual assumptions that are more likely than others to have a significant impact on the measurement of SIP's insurance contracts. There were no assumptions identified in the year or the preceding year as having a potential or identifiable material impact on the overall claims estimate.

(g) Sensitivity analysis:

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. Among all the lines of business, general liability line of business has the largest unpaid claims liabilities. Given the nature of this line of business and the fact that it has a very long tail, this line's estimate is the most critical to the assumptions used. If the tail factor selection on this line of business was 5% higher, the net claims liabilities would be \$175,317 higher. The effect on net profit would be a reduction of \$175,317. If the loss ratios used were 5% higher in the latest five loss years, the net claims liabilities would be \$116,770 higher, generating a reduction of \$116,770 in net profit. Changes in assumptions on other lines of business are considered to be less material.

(h) Claims development tables:

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive loss year at each reporting date, together with cumulative payments to date.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

7. Claims liabilities (continued):

Net basis:

Year of loss	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Estimate of ultimate claims costs:										
End of accident year	\$ 0	\$1,110,131	\$708,406	\$816,333	\$572,423	\$882,851	\$1,333,358	\$1,824,636	\$1,555,249	\$1,528,025
End of one year	1,129,707	1,034,956	586,533	904,844	475,390	766,990	1,437,403	1,673,420	1,273,502	0
End of two years	927,165	868,541	533,464	769,622	477,723	631,688	1,308,691	1,693,489	0	0
End of three years	884,742	847,330	522,466	810,358	416,578	552,798	1,321,573	0	0	0
End of four years	765,029	834,365	552,283	727,998	433,836	516,117	0	0	0	0
End of five years	715,460	804,759	515,694	632,264	399,747	0	0	0	0	0
End of six years	708,554	809,639	492,653	632,777	0	0	0	0	0	0
End of seven years	712,400	805,349	490,200	0	0	0	0	0	0	0
End of eight years	709,572	804,997	0	0	0	0	0	0	0	0
End of nine years	707,389	0	0	0	0	0	0	0	0	0
Current estimate of cumulative claims	707,389	804,997	490,200	632,777	399,747	516,117	1,321,573	1,693,489	1,273,502	1,528,025
Cumulative payments to date	(703,705)	(776,967)	(431,558)	(497,719)	(342,975)	(371,174)	(974,208)	(1,410,528)	(745,789)	(341,416)
Total all claims										2,771,776
Liability in respect of prior years										153,566
Balancing items										653,840
Effect of discounting										374,125
Total net claims liabilities										3,953,307
Claims liabilities recovered from excess insurance										164,178
										\$4,117,485

In 2008 SIP did not perform an actuarial analysis to determine the claims liability. As a result the claims development table does not include an amount for the end of one year in 2008, as this information does not exist. This is consistent with the claims development table used by the appointed actuary.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

8. Financial risk management:

The primary goals of SIP's financial risk management policies are to ensure that the outcomes of activities involving elements of risk are consistent with SIP's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting SIP's combined statement of financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

SIP's exposure to potential loss from financial risks is primarily due to underwriting risk along with various market risks, including interest rate risk and equity market fluctuation risk, foreign currency risk, liquidity risk, as well as credit risk.

(a) Underwriting risk:

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

SIP's underwriting objective is to provide cost effective insurance for its subscribers.

(i) Pricing risk:

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclical nature of the insurance market. The market cycle is affected by the frequency and severity of losses, levels of capacity and demand, general economic conditions and price competition. SIP prices premiums based on a historical factor of provider premiums and a calculation based on enrollment and square footage.

(ii) Reserving risk:

Reserving risk arises due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and ultimate resolution of the claim. Claim provisions are expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors.

Variables in the reserve estimation process can be affected by receipt of additional claim information and other internal and external factors, such as economic inflation, legal and

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

8. Financial risk management (continued):

judicial trends and legislative changes. Due to the amount of time between the occurrence of a loss, the actual reporting of the loss and the ultimate payment, provisions may ultimately develop differently from the actuarial assumptions made when initially estimating the provision for claims. SIP's provisions for claims are reviewed separately by, and must be acceptable to, the independent appointed actuary.

(iii) Catastrophic loss risk:

Catastrophic loss risk is the exposure to losses resulting from multiple claims arising out of a single catastrophic event. Property and casualty insurance companies experience large losses arising from manmade or natural catastrophes that can result in significant underwriting losses. Catastrophes can cause losses in a variety of property and casualty lines and may have continuing effects which could delay or hamper efforts to timely and accurately assess the full extent of the damage they cause. The incidence and severity of catastrophes are inherently unpredictable. SIP's exposure to risks is managed through the use of excess primary policies.

(b) Credit risk:

(i) Invested assets:

SIP's risk management strategy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer. SIP attempts to limit credit exposure by imposing portfolio limits on individual corporate issuers as well as limits based on credit quality. The breakdown of SIP's fixed income portfolio by the S&P rating or where unavailable the Fitch rating is presented below:

	March 31, 2017		March 31, 2016	
	Fair value	% of total	Fair value	% of total
AAA	\$ 2,995,537	43.97%	\$ 2,131,663	31.41%
AA	0	0.00%	1,911,276	28.16%
A+	1,023,618	15.02%	847,432	12.49%
A	2,781,365	40.82%	1,883,258	27.75%
<A	12,732	0.19%	13,050	0.20%
	\$ 6,813,252	100.00%	\$ 6,786,679	100.00%

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

8. Financial risk management (continued):

(b) Credit risk (continued):

(ii) Aggregated credit risk:

SIP's aggregate exposure to credit risk is as follows:

	2017	2016
Investments in bonds	\$ 6,813,252	\$ 6,786,679
Accrued investment income	34,395	39,680
Accounts receivable	877	12,263
Cash and cash equivalents	3,136,984	3,411,179
	<u>\$ 9,985,508</u>	<u>\$ 10,249,801</u>

(c) Liquidity risk:

Liquidity risk is the risk of having insufficient cash resources to meet financial commitments and policy obligations as they fall due, without raising funds at unfavourable rates or selling assets on a forced basis.

Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The liquidity requirements of SIP's business have been met primarily by funds generated from operations, asset maturities and income and other returns received on securities. Cash provided from these sources is used primarily for claims and claim adjustment and defense expense payments and operating expenses. The timing and amount of catastrophe claims are inherently unpredictable and may create increased liquidity requirements.

To meet these cash requirements, SIP has policies to limit and monitor its exposure to individual issuers or related groups and to ensure that assets and liabilities are broadly matched in terms of their duration and currency. SIP also holds a portion of invested assets in liquid securities. At March 31, 2017, SIP has \$3,136,984 (2016 - \$3,411,179) of cash and cash equivalents.

Along with the expected maturity profile of SIP's investment portfolio, the following table shows the expected payout pattern of the unpaid claim liabilities.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

8. Financial risk management (continued):

Expected payout pattern of unpaid claims as at March 31, 2017:

Within 1 year	1 - 5 years	5 - 10 years	Over 10 years	Total
\$ 866,756	\$ 1,977,906	\$ 708,283	\$ 26,238	\$3,579,183

Expected payout pattern of unpaid claims as at March 31, 2016:

Within 1 year	1 - 5 years	5 - 10 years	Over 10 years	Total
\$ 1,045,576	\$ 1,947,345	\$ 726,683	\$ 28,881	\$3,748,485

(d) Market risk:

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of SIP's primary market risk exposures and how those exposures are currently managed.

(i) Interest rate risk:

Fluctuations in interest rates have a direct impact on the market valuation of SIP's fixed income securities portfolio and liability values. Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. Generally, investment income will move with interest rates over the long-term. Short-term interest rate fluctuations will generally create unrealized gains or losses. Generally, SIP's interest and dividend investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds are reinvested at lower rates, and will likely result in unrealized gains in the value of fixed income securities SIP continues to hold, as well as realized gains to the extent the relevant securities are sold. During periods of rising interest rates, the market value of SIP's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced or result in realized losses.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

8. Financial risk management (continued):

As at March 31, 2017, management estimates that an immediate hypothetical 100 basis point, or 1%, parallel increase in interest rates would decrease the market value of the fixed income securities by \$142,397 (2016 – \$174,418), representing 2.09% (2016 – 2.57%) of the \$6,813,252 (2016 - \$6,786,679) fair value fixed income securities portfolio, and decrease the value of unpaid claims reserves by \$114,317 (2016 - \$111,353), thus partially offsetting the change in market value of bonds. Conversely, a 100 basis point decrease in interest rates would increase the market value of the fixed income securities by \$145,122 (2016 - \$183,240) and increase unpaid claims reserves by \$14,620 (2016 - \$29,433). If it was necessary for us to complete an unexpected quick liquidation of assets to meet our policy obligations, interest rate fluctuations could result in realized gains or losses greater than the change in reserve values.

Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions, including the maintenance of the existing level and composition of fixed income security assets at the indicated date, and should not be relied on as indicative of future results. The analysis in this section is based on the following assumptions: 1) the securities in SIP's portfolio are not impaired; 2) interest rates and equity prices move independently; 3) shifts in the yield curve are parallel; and, 4) credit and liquidity risks have not been considered. In addition, it is important to note that AFS securities in an unrealized loss position, as reflected in OCI, may at some point in the future be realized either through a sale or impairment.

(ii) Equity market fluctuation risk:

Fluctuations in the value of equity securities affects the level and timing of recognition of gains and losses on securities held, and causes changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and, consequently, the value of the equity securities SIP owns.

To mitigate these risks, SIP establishes an investment policy which is approved by the Board of Directors. The policy sets forth limits for each type of investment and compliance with the policy is closely monitored. SIP manages market risk through asset class diversification, policies to limit and monitor its individual issuers and aggregate equity exposure.

As at March 31, 2017, management estimates that a 10% increase in equity markets, with all other variables held constant, would impact OCI by approximately \$14,073 (2016 - \$2,206). A 10% decrease in equity prices would have the corresponding opposite effect,

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

8. Financial risk management (continued):

impacting OCI by the same amounts. Stocks comprise 24.3% (2016 – 23.2%) of the fair value of SIP's total investments.

(iii) Foreign exchange risk:

Foreign exchange risk is the possibility that changes in exchange rates produce an unintended effect on earnings and equity when measured in domestic currency. This risk is larger when assets backing liabilities are payable in one currency and are invested in financial instruments of another currency. SIP monitors the exposure of invested assets to foreign exchange and limits these amounts when deemed necessary and mitigates foreign exchange rate risk. SIP may nevertheless, from time to time, experience losses resulting from fluctuations in the values of these foreign currencies, which could adversely affect operating results.

At March 31, 2017, SIP held \$752,717 in US equities.

As at March 31, 2017, management estimates that a 10% increase in the value of the Canadian dollar compared to the US dollar with all other variables held constant, would impact OCI by (\$7,652). A 10% decrease in the value of Canadian dollar compared to US dollars would have the corresponding opposite effect, impacting OCI by the same amounts.

9. Fair value measurement:

The following presents SIP's financial instruments measured at fair value by hierarchy level:

	March 31, 2017		March 31, 2016	
	Fair value	Cost	Fair value	Cost
Level 1				
Investments – equities, bonds	\$3,656,913	\$3,278,376	\$4,111,633	\$4,080,379
Level 2				
Investments – pooled and mutual funds	\$5,367,899	\$5,105,696	\$4,862,732	\$4,512,463
	\$9,024,812	\$8,384,072	\$8,974,365	\$8,592,842

There were no transfers between Level 1 and Level 2 in the period. There were no fair value measurements classified as Level 3.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

10. Rate stabilization reserves:

SIP has reserves which are intended to ensure stable rates to its members in future years as follows:

	Unrestricted Restricted Reserves	Internally Restricted Guarantee Reserves	Externally Restricted Guarantee Reserves	
Balance, March 31, 2016	\$ 1,173,278	\$2,212,069	\$ 987,931	\$4,373,278
Net income	249,285	—	—	249,285
Required transfer to and from restricted reserves	—	(182,064)	182,064	—
Balance, March 31, 2017	\$ 1,422,563	\$2,030,005	\$ 1,169,995	\$4,622,563

- (a) In accordance with the Exchange Agreement, subscribers were not obliged to contribute any amounts to SIP in the form of a capital contribution. The combined rate stabilization reserves therefore represent the cumulative excess of income over expenses, including investment income, and may be used to cover potential future catastrophic claims or accommodation for significant increases in excess insurance premiums as appropriate. The Exchange Agreement provides that additional assessments may be made to the Subscribers to the extent that premiums collected are insufficient to cover the claims and expenses experienced by SIP. Similarly, where accumulated funds are in excess of funds required to meet the obligations in respect of claims arising, the Exchange Agreement provides for the issue of premium credits.
- (b) In accordance with the February, 2016, actuarial review of the minimum capitalization required for SIP, a conservative level of capital has been determined to be in the range of \$5,200,000. This actuarial value, including externally restricted reserves, represents the capital, in its simplest form, required to cover the shortfall between the premium income-based on expected losses and expenses and losses as measured at year end. It also protects policyholders against any sudden increase in frequency or severity that could result in rate increases in excess of the inflation rate by up to 25%.

Planning for the internally restricted rate stabilization reserve (based on the new actuarial value of \$5,200,000) will take place in the 2018 fiscal year.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

10. Rate stabilization reserves (continued):

In accordance with the Exchange Agreement, Subscribers were not obliged to contribute any amounts to SIP in the form of a capital contribution. Therefore, the rate stabilization reserve represents the cumulative excess of income over expenses, including investment income, and may be used to cover potential future catastrophe claims. The Agreement provides that additional investments may be made to the Subscribers to the extent that premiums collected are insufficient to cover the claims and expenses experienced by the Exchange. Similarly, where accumulated funds are in excess of funds required to meet obligations in respect of claims arising, the Agreement provides for the issue of premium credits.

- c) *The Insurance Act* of Nova Scotia requires SIP to maintain a Guarantee Fund of \$50,000 in cash or approved securities. The Act also requires SIP to maintain a Restricted Reserve Fund in cash or approved securities equal to 50% of the gross premiums receipts minus the cost of excess insurance, excluding broker fees.

11. Commitments:

In December, 2011, SIP entered into an agreement to lease office space until 2021. SIP is also committed to various equipment leases and software maintenance agreements which expire on various dates. Minimum rent payable for each of the next four years and the CS Stars software lease is as follows:

	Premises	Other	Total
2018	\$ 33,561	\$ 51,427	\$ 84,988
2019	33,561	51,427	84,988
2020	33,561	—	33,561
2021	22,374	—	22,374

12. Capital management:

Capital is comprised of SIP's Rate Stabilization Reserves. As at March 31, 2017, SIP's capital was \$4,622,563 (2016 - \$4,373,278). SIP's objectives when managing the capital are to maintain financial strength, protect its claim paying liabilities, facilitate the prudent operation of SIP and promote long-term stability in premiums assessed to its Subscribers. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines based on risk management policies.

NOVA SCOTIA SCHOOL INSURANCE PROGRAM

Notes to Combined Financial Statements (Continued)

Year ended March 31, 2017

12. Capital management (continued):

SIP is required to have a guaranteed reserve fund of 50% of annual premiums received minus the cost of excess insurance, excluding broker fees. In addition, the board of directors will be creating a new policy in 2018 to increase the guarantee reserve funds to ensure there is a minimum guaranteed reserves of \$5,200,000 (note 10). At March 31, 2017, the minimum guaranteed reserve funds were \$3,200,000 (2016 - \$3,200,000).

The minimum capital levels for SIP are monitored by their regulator, the Office of the Superintendent of Insurance for the Province of Nova Scotia.

13. Operating expenses:

	2017	2016
Salaries and contracting out	\$ 544,707	\$ 493,225
Risk	166,522	164,785
Rent and related expenses	72,538	70,662
Professional	96,171	60,102
Data	69,683	71,460
E&O coverage for staff and directors	32,983	32,221
Translation and student accident insurance promotion	7,242	10,600
Board and committee meetings	35,075	35,961
Depreciation	10,240	16,343
Office	13,009	15,286
Print and website	6,829	8,659
Telephone and communications	15,786	15,641
Professional development and dues	20,695	14,195
Other miscellaneous	3,391	3,887
	\$ 1,094,871	\$ 1,013,027

14. Key management personnel:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of SIP, directly or indirectly, including the Board of Directors of SIP.

Compensation expenses related to key management personnel consisted of \$ 220,495 (2016 - \$199,291) related to salaries and other short-term employee benefits. No other benefits were paid.

Compensation expenses related to Board of Directors consisted of \$14,625 (2016 - \$14,750) related to monthly stipend payments. No other benefits were paid.