

2021 Annual Report

ADAPT.
EVOLVE.
ADVANCE.



MUNICIPAL
INSURANCE
ASSOCIATION
OF BRITISH
COLUMBIA

Who We Are

Owned by our 173 members, the MIABC is a non-profit reciprocal exchange that insures almost 90% of BC's local governments.

Our **mission** is to provide dependable support that helps keep communities vibrant and alive, through stable liability and property insurance, outreach programs, and expert advice.

Our **guiding principles** reflect how our organization, staff, and members work to deliver the promise of our mission and the potential of our vision:

- Membership has both benefits and responsibilities.
- We serve every member equally and uniquely.
- Our principles precede profit.
- From partnership, comes power.

Our **vision** is a province in which communities not only have the means to grow, but also the freedom to thrive, enriching the lives of British Columbians in the process.





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Chairperson's Letter



One measure of an organization's success is its ability to respond to change. 2021 was a year like no other. From ongoing pandemic uncertainty to leadership changes to extreme weather events, the MIABC faced change and adversity on many levels.

How did the MIABC respond to these myriad challenges? The answer is found in this year's Annual Report theme: *adapt, evolve, advance*.

Adapting to Leadership Changes

In the summer, our long-time CEO Tom Barnes announced that he would retire in 2022. Two months later, Board Chair Charles Hamilton (our longest-standing director) retired from the board. These changes are significant; Tom and Charles both played integral roles in the MIABC's development. With their departure, the MIABC stands to lose decades of institutional knowledge. Fortunately, careful succession planning ensures our organization's ongoing ability to flourish.

At the board level, succession planning requires both foresight and flexibility. We have developed minimum qualifications so that every director joins us with the requisite expertise to oversee a financial institution. We

have also spent time training board members in different areas of responsibility. Finally, through a focus on good governance, we have developed a robust set of policies and practices that guide our decision-making processes. While nothing can replace Charles Hamilton's 27 years' experience, I have extraordinary confidence in our current board members. Each of them brings key insights, diverse perspectives, skills, and knowledge to the board table.

At the management level, a Succession Committee has worked with Tom Barnes and outside consultants to deliver a smooth leadership transition. Tom's impact on the evolution of the MIABC cannot be overstated. Our CEO since 2005, Tom's involvement with our organization dates back to the MIABC's creation in 1987, when he was appointed Claims Advisor. Tom played a key part in each stage of the MIABC's development, and I credit his leadership for our transformation into the sophisticated entity you see today. While Tom's absence will be deeply felt, one of his key strengths has been hiring skilled professionals and developing them into highly competent leaders. As a result, he leaves behind an effective and experienced management team.

Evolving to Better Serve our Members

In these pages, you will read how the MIABC not only adapted this year, but also evolved, emerging a stronger organization, even more committed to meeting our members' needs.

The team took an all-hands-on-deck approach to maintaining and even enhancing its trademark outstanding service levels. I was particularly impressed by staff's response to the Lytton fire and the November floods. Watching local governments experience these devastating events, our staff were keenly focused on what they could do to better

serve our members. The Response Ready initiative – in which the MIABC will focus on providing strategic support to members during catastrophic events – was born.

Advancing Growth Through Long-Term Stability

Disruption and change can provide new opportunities for advancement. Our biggest story this year is the tremendous growth of the Property and Ancillary Insurance Program. I applaud the hard work of the Insurance Department in responding to the remarkable demand from prospective members. An income stream that did not exist eight years ago is now a major contributor to the success and stability of our organization. The team has worked diligently to seize this immense opportunity.

This success story was a long time in the making. The MIABC has always prioritized stable rates. In fact, we were created in 1987 in order to insulate members from market volatility. In previous years, when the insurance market was softer, our attractive suite of risk management tools kept our membership steady, despite other insurers offering cut-rate prices. Now that we are in a prolonged hard market, we are prepared to capitalize on our stable rates. We have developed the capacity to do so by careful attention to building capital, prudent underwriting decisions, and good relations with our reinsurers.

Recognition and Thanks

In closing, I would like to recognize our members, all of whom have faced unprecedented challenges this year. From the heat dome to the wildfires to the floods, I do not believe a single member has been unaffected by climate change. Meanwhile, our members

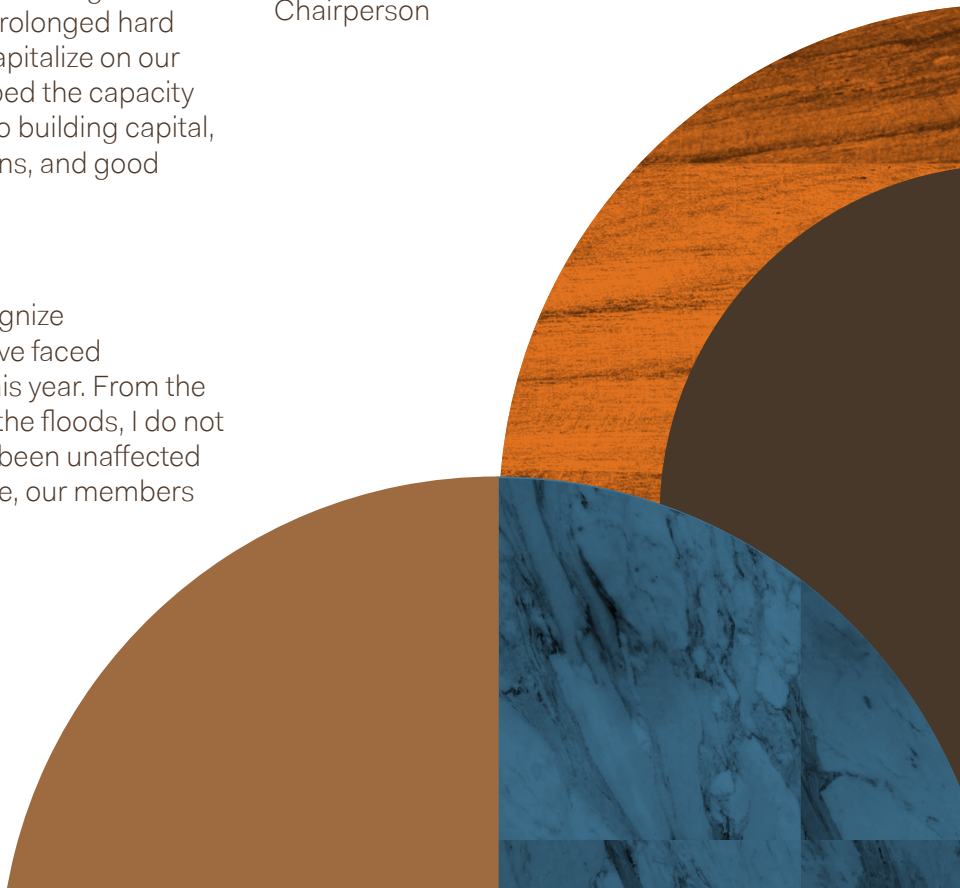
have navigated the reopening of services, implementation of the vaccine passports, and closures surrounding the Omicron variant. I have no doubt that our members have adapted, evolved, and advanced in the face of these challenges.

I must applaud our management and staff. Thanks to their tremendous efforts, we are positioned to succeed amidst a changing environment in the years ahead. Through their work to adapt and evolve, they have advanced the way we operate: the MIABC is nimble and increasingly responsive to the needs of our member communities. Along the way, they have remained committed to our vision, mission, and guiding principles.

Finally, I extend sincere thanks to Charles Hamilton and Tom Barnes for their many years of outstanding service. These two leaders are leaving our organization well-poised to take on the next set of challenges.



Roy Scott
Chairperson



Board of Directors

Our Board of Directors includes elected officials and staff representatives from member communities. Directors are elected by our members at the MIABC's Annual General Meeting. Each of our directors brings with them a unique perspective and wealth of expertise – both of which are essential to the MIABC's ongoing success.



Back row (standing), left to right:

Lance Kayfish
DIRECTOR AT LARGE, CITY OF KELOWNA

Steffan Klassen
GROUP C REPRESENTATIVE, TOWN OF CRESTON

Stuart Horn
REGIONAL DISTRICT REPRESENTATIVE,
REGIONAL DISTRICT OF CENTRAL KOOTENAY

Chair Rob Gay
AKBLG REPRESENTATIVE,
REGIONAL DISTRICT OF EAST KOOTENAY

First row (sitting), left to right:

Stephanie Munro
DIRECTOR AT LARGE, DISTRICT OF NORTH SAANICH

Councillor Myers Bennett
GROUP B REPRESENTATIVE, TOWN OF OSOYOOS

Director Penny Cote
AVICC REPRESENTATIVE, ALBERNI-CLAYOQUOT REGIONAL
DISTRICT

Karen Grommada
GROUP D REPRESENTATIVE, CITY OF PORT COQUITLAM

Lance Bredeson
DIRECTOR AT LARGE, CITY OF RICHMOND

Councillor Ruth Hoyte
SILGA REPRESENTATIVE, DISTRICT OF COLDSTREAM

Not pictured:

Mayor Jack Crompton
LMLGA REPRESENTATIVE,
RESORT MUNICIPALITY OF WHISTLER

Councillor Gord Klassen
NCLGA REPRESENTATIVE, CITY OF FORT ST. JOHN

Clay Nelson
DIRECTOR AT LARGE, DISTRICT OF WEST VANCOUVER

Roy Scott
GROUP A REPRESENTATIVE,
DISTRICT OF 100 MILE HOUSE

Sheryl Worthing
DIRECTOR AT LARGE, VILLAGE OF BURNS LAKE

2021 Committees

Executive Committee

Roy Scott CHAIR
Lance Kayfish VICE CHAIR
Karen Grommada
Gord Klassen
Clay Nelson

Finance/Audit Committee

Karen Grommada CHAIR
Lance Kayfish VICE CHAIR
Penny Cote
Stuart Horn
Steffan Klassen
Stephanie Munro
Tom Barnes

Claims Committee

Clay Nelson CHAIR
Steffan Klassen VICE CHAIR
Myers Bennett
Jack Crompton
Ruth Hoyte
Karen Grommada

Governance Committee

Lance Kayfish CHAIR
Gord Klassen VICE CHAIR
Lance Bredeson
Rob Gay
Sheryl Worthing

Member Services Committee

Gord Klassen CHAIR
Sheryl Worthing VICE CHAIR
Myers Bennett
Rob Gay
Ruth Hoyte

Board Changes

In 2021, the MIABC bid farewell to Charles Hamilton, our longest-standing board member. Mr. Hamilton served 27 years as a director, including the past three as Board Chair.

Mr. Hamilton was succeeded by Roy Scott as Board Chair. Mr. Scott, the CAO of 100 Mile House, joined the MIABC's board in 2016 and has served as Chair of the Governance Committee since 2018. Mr. Scott has extensive experience with local government risk pools, having served as board chair in developing a municipal insurance exchange for the municipalities of the Northwest Territories.

In the fall, the board welcomed Stephanie Munro, Director of Financial Services for the District of North Saanich, as a Director at Large.

Staff Directory

ADMINISTRATION DEPARTMENT



Tom Barnes
CHIEF EXECUTIVE
OFFICER



Leigh Latchford
HUMAN RESOURCES
MANAGER



Heidi Scribner
ADMINISTRATOR &
BOARD SECRETARY



Claudia Chan
ADMINISTRATIVE
SERVICES MANAGER



Hilda Strohan
OFFICE SERVICES
ASSISTANT

FINANCE DEPARTMENT



Maria Creighton
CHIEF FINANCIAL
OFFICER



Pritika Pratap
ACCOUNTANT



Henry Zhang
ACCOUNTANT

MEMBER SERVICES DEPARTMENT



Megan Chorlton
DIRECTOR OF
MEMBER SERVICES &
GENERAL COUNSEL



Tony Lin
RISK MANAGEMENT
DATA ANALYST



Sandra Mayo
RISK MANAGEMENT
SPECIALIST



Jacinta Wu
RISK MANAGEMENT
ADVISOR

INSURANCE DEPARTMENT



Glenn McLaughlin
DIRECTOR OF
INSURANCE



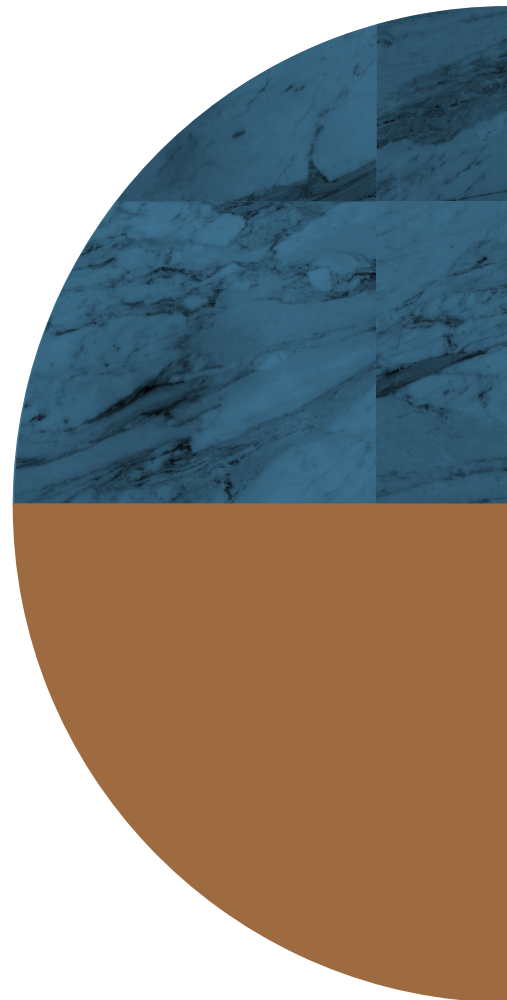
Nicole Purves
DEPUTY DIRECTOR OF
INSURANCE



Marina Sen
INSURANCE SERVICES
COORDINATOR



Erica Shi
INSURANCE
PROGRAMS
ADMINISTRATOR



CLAIMS DEPARTMENT



Sherman Chow
DIRECTOR OF CLAIMS



David Tupper
CLAIMS & RISK
ANALYST



David Hooper
CLAIMS EXAMINER



Michelle Stewart
CLAIMS EXAMINER



Kevin Travis
CLAIMS EXAMINER

LEGAL DEPARTMENT



Maryam Sherkat
CHIEF RISK OFFICER &
LEGAL COUNSEL



Samantha Boyce
ASSISTANT GENERAL
COUNSEL



Steven Gares
LEGAL COUNSEL



Dana Romanick
LEGAL COUNSEL



Jordan
Hauschildt
LEGAL COUNSEL



Brian Lee
LEGAL COUNSEL



Annalee
Diguangco
LEGAL
ADMINISTRATIVE
ASSISTANT



Judy Yee
LEGAL
ADMINISTRATIVE
ASSISTANT

Staff Changes

This year marked the retirement of Susan Ackerman, the MIABC's longstanding Risk Management Advisor.

Susan's replacement, Jacinta Wu, joined us in mid-July. Jacinta started her insurance career in claims five years ago, before moving to various commercial lines positions on the brokerage side of the business.

We also welcomed two new lawyers to our Legal Department. Brian Lee joined the MIABC in March 2021. He has five years' experience practising insurance defence law. Jordan Hauschildt came on board in April 2021. Based in Nanaimo, Jordan is mainly responsible for defending claims against MIABC members located on Vancouver Island.

ADAPT

In the midst of a challenging year, the MIABC demonstrated a capacity to react effectively to external changes, while staying true to its mission and guiding principles.



Embracing Virtual Connections

As with 2020, this year saw the Member Services team providing many of our services remotely. While continuing to miss face-to-face contact with our members, the team capitalized on the benefits of virtual connections.

Virtual Risk Management Conference

In March, the Member Services team delivered our first-ever virtual Risk Management Conference. Despite challenges in finding ways to engage participants in an online forum, we exceeded targets both in attendance and participant experience. Registration was up 20% since the last conference in 2019 and feedback was extremely positive.

The conference taught us that we can deliver high-quality educational content in a virtual format and that a remote option is crucial in reaching a greater number of members. To this end, our 2022 in-person Risk Management Conference will be followed by a Mini Virtual Conference that will be available online.

Greater Participation in Loss Control Program

The MIABC's Loss Control Program had originally planned to return to in-person inspections in mid-2021, but services were largely provided online due to ongoing pandemic uncertainty and extreme weather events. This had an unexpected benefit. According to Director of Member Services Megan Chorlton, "we were pleased to see members taking advantage of a wider array of loss control services. With in-person inspections off the table for much of 2021, more members opted for policy audits, policy drafting and virtual inspections. This allowed the program to reach more members, as remote services can be scheduled more easily and delivered more efficiently. Despite a planned return to in-person inspections in 2022, the legacy of virtual loss control services will undoubtedly carry on."

Connecting with our Members in New Ways

The convenience of online communications prompted the Member Services Department to connect with its members in new ways. For example, in the process of creating its Policy Development Toolkits, the department decided to create focus groups of about 15 local government staff members to review each toolkit. Megan reports: "Had we been focused on in-person meetings, there is no way we could have pulled together such a diverse cross-section of local government staff. Accustomed as we now are to virtual communication, we realized that we could easily do so in the remote environment."

Adapting to Legal and Regulatory Changes

The MIABC adapted to several legal and regulatory changes this year.

Supreme Court Narrows Policy Defence

In October, the Supreme Court of Canada released its landmark decision in *Nelson (City) v. Marchi*, restricting the types of governmental decisions that will be immune from tort liability under the policy defence. Though *Marchi* was a snow removal case, the decision will apply widely to all negligence and occupiers' liability claims against public authorities.

Marchi was widely reported in the media and raised many questions amongst our members. Fortunately, the MIABC already had a solid foundation of educational tools surrounding the policy defence and could easily adapt those tools to incorporate the court's findings. In short order, the MIABC put out blog posts, a dedicated newsletter, and a webinar, providing targeted advice and reassuring members that much of the MIABC's previous risk management advice continued to apply.

Uptick in CRT Claims and Self-Represented Litigants

This year, our lawyers and claims examiners saw an increase in the number of claims brought in the Civil Resolution Tribunal (CRT), an online administrative tribunal that handles small claims up to \$5,000.

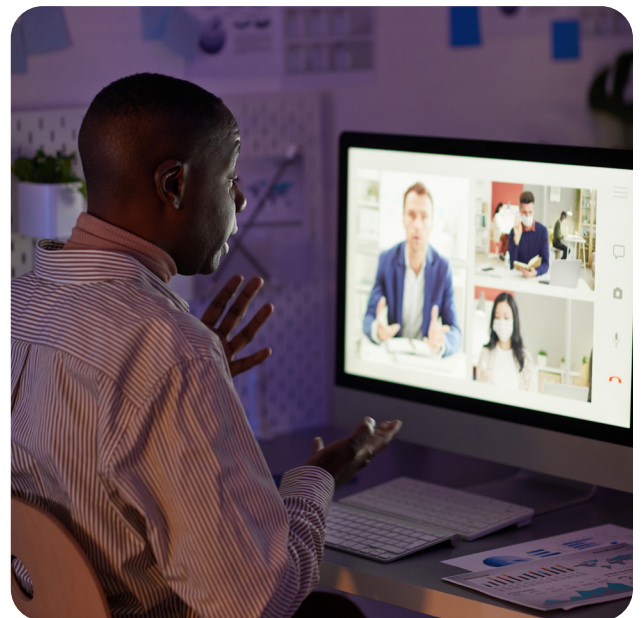
Self-represented litigants are increasingly addressing their grievances with local governments in this fashion, even where their complaint lacks a legal foundation. Perhaps due to mental health struggles exacerbated by the pandemic, many claims have a strong emotional component. As the CRT has minimal gatekeeping functions, many claims go to a full written hearing.

From the perspective of the Legal and Claims Departments, it has been necessary to adapt to

the reality that claims by self-represented litigants, whether brought in the CRT or otherwise, require more time and energy to defend. According to Legal Counsel Steven Gares, "the increase in popularity of the CRT is good and necessary from an access-to-justice perspective. But from our members' point of view, we must defend an increasing number of questionable claims. We aim to serve our members by always treating self-represented litigants with courtesy and respect, while attempting to address their legal allegations in a straightforward and efficient manner."

Challenges of Virtual Litigation

The Legal and Claims Departments have also adapted to shifts back and forth between remote and in-person litigation. While this has made scheduling difficult, the upside is that it has forced the courts and legal profession to adapt to the need for online legal services. According to Steven Gares, "there are some court processes that are much more effective in person. On the other hand, many court procedures can now be accomplished more efficiently because it is not necessary to fly across the province for a short appearance. These cost-effective measures are likely to outlast the pandemic."



Regulatory Changes

Chief Risk Officer Maryam Sherkat reports that over the years, the MIABC's compliance obligations have increased. "We are a financial institution and as such we are subject to regulatory scrutiny. While this obviously has implications for resource allocation for our organization, it is in the interests of our members that we adhere to best practices." While regulatory requirements are increasing, in at least one respect, new technology is making compliance more timely and efficient. This year, our regulator, the BC Financial Services Authority (BCFSA) introduced the new Integrated Regulatory Information System, a portal designed to streamline the provision of regulatory information and submissions to the BCFSA. According to Maryam, the more streamlined communication system indirectly benefits members. "We can spend less time providing documents to our regulators and more time on services that have a direct and tangible impact on our members."

Responding to and Learning from Climate Change Events

Across Canada, communities are increasingly impacted by climate change. 2021 was a year of unprecedented weather extremes, from the heat dome to wildfires to severe floods and landslides. Every one of our members has been affected by the escalating frequency and severity of extreme weather-related events.

Member Services Outreach

"The extreme weather events taught us two things," reports Megan Chorlton. "First, there is a lot we can do to help members experiencing a crisis situation. Second, we are not necessarily the first (or even second or third) call that our members think to make during a catastrophic event."

To ameliorate this disconnect, in late 2021 the Member Services team decided to develop the Response Ready program. This initiative is designed to communicate to our members that we can support them as they deal with the threat of catastrophic losses relating to extreme weather events, including wildfires, landslides, and floods. Under this program, the MIABC will take a proactive approach to disaster support, contacting members to offer assistance before and during catastrophic events. Services will include coverage advice, short-term business continuity support, and claims assistance.

Capital Stability to Cover Weather-Related Claims

This year, thanks to various factors, including growth of the Property and Ancillary Insurance Program, moderate claims activity, and investment gains, the MIABC's subscribers' capital exceeded \$100 million for the first time in the history of the organization.

The MIABC's stronger capital position is a welcome support, given the riskier environment in which we now operate. Liability claims are, by their nature, unpredictable. Overall, our claims profile continues to be stable, but moving forward, climate change-related events will

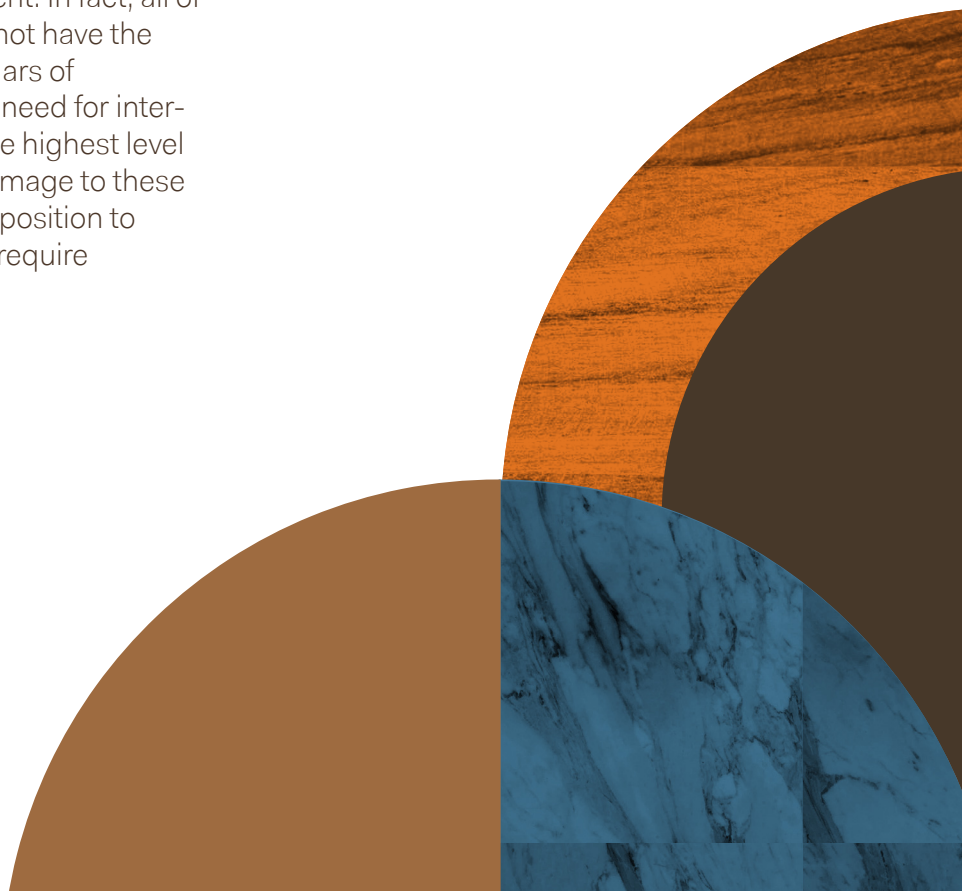
continue to impact our members, leading to larger claims. With careful capital management, the Board is positioning the MIABC for the eventuality that claims of \$10 million in magnitude will not be as rare as they have been in the past.

Overall, a better capital position gives us more capacity to address our members' insurance risks, including the ever-present earthquake risk.

The Need for Intergovernmental Cooperation

Change can be an effective teacher. The successive natural catastrophes of 2021 revealed quite starkly that there is a limit to commercial insurance capacity in the face of catastrophic weather events.

According to our CEO Tom Barnes, "what shocked people about the 2021 wildfires and floods is how much damage these events could cause to uninsured assets. The dramatic pictures revealed extreme damage to linear infrastructure – roads, electrical lines, sidewalks, and sewers – none of which are insured at any level of government. In fact, all of the insurers in the world would not have the capacity to insure billions of dollars of infrastructure. Rather, there is a need for intergovernmental cooperation at the highest level to plan funding for inevitable damage to these assets. The MIABC is in a good position to assist in that process, but it will require widespread cooperation."



EVOLVE

The MIABC has long recognized that in order to thrive, it must constantly evolve. This was more evident than ever in 2021.

New Adjuster Position Created

This year, the Board voted in favour of creating the MIABC's first in-house road adjuster position. Independent adjusters are an essential part of our claims handling services. We rely on them to investigate high-value, complex claims.

To date, the MIABC has outsourced all adjusting services to external third-party service providers. Bringing a portion of this work in-house will enable the MIABC to build stronger relationships with our member contacts and achieve significant costs savings.

Director of Claims Sherman Chow sees the creation of this position as an important step in the evolution of the Claims and Legal Departments. "Our organization began as a bare-bones operation. The MIABC's founders did not even contemplate having claim examiners on staff. The Claims Department was created in the late 80s when the Board realized they could provide better service with a dedicated in-house team. The next step was the creation of the in-house Legal Department in 2006. I see the road adjuster position as the next logical stage of that evolution. In addition to saving money for our members, we are growing our specialized staff of local government liability professionals."

New ERM Policy

The MIABC's Enterprise Risk Management (ERM) program, first launched in 2011, has evolved considerably over the past decade. While we initially embarked on this project to satisfy a regulatory requirement, we have seen

tangible benefits in the form of vast improvements to the quality and efficiency of our operations.

While our ERM program has been in place for over a decade, in the past two years the board has made great strides in developing and refining several key policies, including our Capital Management Plan, Statement of Investment Policies & Procedures, and Reinsurance Risk Management Policy. These collective changes prompted the need for a more fulsome, comprehensive ERM Policy, which the board adopted in June.

As our internal program matures, the MIABC has been sharing a number of ERM-related tools with our members. For example, our Risk Management Specialist Sandra Mayo developed several business continuity resources this year. We have also shared our knowledge of cyber incident planning through webinars and blog posts.

Diversity and Inclusion

In 2020 and 2021, tragic events drew attention to the racism and marginalization faced by BIPOC individuals around the world. While we have a diverse staff from many different backgrounds, the MIABC recognized the need for a dedicated committee to advance the values of diversity and inclusivity within the MIABC community. Together, staff and management struck the Inclusion, Diversity, Equality & Anti-Racism (IDEA) Committee.

Recent initiatives include:

- Recommending changes to policies to reflect diversity and inclusion principles;

- Meeting to determine how to recognize the National Day for Truth and Reconciliation;
- Preparing a list of BIPOC-owned vendors for sourcing various products and services; and
- Developing formal anti-racism and equity training for the board and staff (in progress).

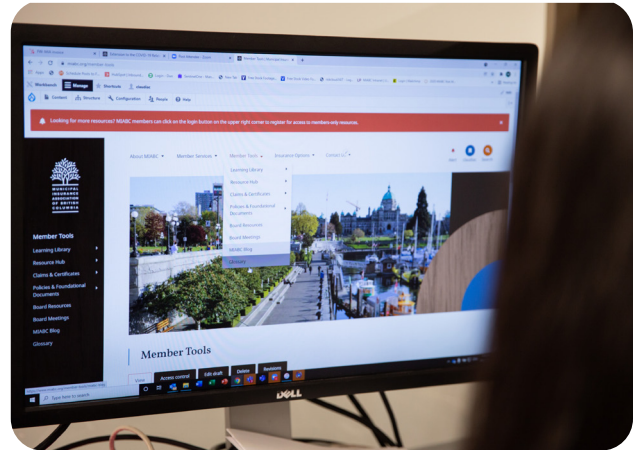
New Policy Development Toolkits

The MIABC has long advised its members that following a written inspection or maintenance policy can be a useful tool for defending negligence lawsuits. When more and more members were asking for sample policies, we realized that if we were going to provide this advice, we also needed to provide educational support so that members could actively heed our advice, with or without expert assistance.

This year, the MIABC developed a collection of several Policy Development Toolkits to guide members through creating or reviewing their inspection and maintenance policies. Members can use these toolkits as a guide to help create and refine a customized policy that works for their specific budgetary, staff, and political needs.

So far, the MIABC has released four toolkits (with six more to follow in 2022 and 2023):

- Roads Maintenance
- Parks and Trails
- Sidewalk Inspection and Maintenance
- Snow and Ice



New Award-Winning Website

Over the course of 2020-2021, the Member Services Department worked closely with our website developer, Upanup, to build a new website that is flexible, adaptable, and easy for our members to navigate.

“It was important to develop a website that could evolve with our organization over time,” reports Megan Chorlton. “Now we can add interactive elements and frequently update the content to stay current.” There are multiple interactive tools in the works, including a chatbot that answers FAQs and a tool that advises members on minimum levels of insurance for contracts.

The website launched in July and quickly garnered attention, receiving the Centauri award at the Vega Digital Awards and the Gold Medal at the Marcom Awards.

ADVANCE

In 2021, the MIABC not only reacted to challenges; it also seized opportunity and found new ways to advance the interests of local governments in BC.

Strategic Growth of Property Program

The Property Insurance Program had another successful year, significantly expanding its book of business with a number of new members. In early 2022, the program reached a noteworthy milestone: 50% of our members now participate in the Property Insurance Program.

"I largely attribute this growth to our long-term commitment to stable rates," says Director of Insurance Glenn McLaughlin. "Globally, the insurance market is experiencing a hard market. Prices around the world are up significantly. The MIABC operates differently, focusing on stability as one of our core values. We don't slash rates in soft markets, nor do we dramatically raise them in hard markets. Given the current market volatility, more and more local governments are now appreciating the value of stability."

Our brokerage arm, Civic Risk Insurance Solutions (CRIS), also expanded this year, with growing demand from members for ancillary and specialty coverage. This is becoming an increasingly important service for our members.

The rapidly growing member base has forced the Insurance Department to expand, evolve, and become more efficient in order to meet the substantial influx of demand. The team also collaborated with the Member Services Department to adapt the Loss Control Program to the needs of Property Insurance Program members.

Overall, 2021 was a tremendously successful year for the Insurance Department, with significant growth enhancing the stability of the

whole organization and increasing our capacity to serve our members.

Expansion of Coverage

The MIABC is continually looking for ways to advance its members' interests by expanding insurance coverage. This year was no exception. The Board proposed four expansions of coverage, all of which were approved by the members at the MIABC's AGM:

Liability Protection Agreement Amendments

- *Off-Highway Automobile Liability Coverage* – Provides coverage for damage caused by the off-highway operation of a non-standard motor vehicle, filling a coverage gap created by changes in ICBC's policies.
- *Medical Services* – Provides coverage for licensed emergency medical assistants, first responders, and paramedics, ensuring that licensed and trained firefighters providing paramedic services are not excluded from coverage.
- *Communicable Diseases* – Provides coverage related to transmission of communicable diseases (subject to a sublimit of \$250,000), filling a gap created when other insurers retracted coverage.

Property Insurance Agreement Amendment

- *Licensed Mobile Equipment (Contractor's Equipment)* – Expands our basic policy to include coverage for damage to licensed mobile equipment (a coverage that was previously placed through our brokerage arm).

In 2021, the Insurance Department also began a comprehensive review and overhaul of the Property Insurance Agreement, aiming to clarify language and ensure we continue to meet the needs of the membership.

Lobbying for Greater Local Government Immunity

As the province's largest liability insurer of local governments, the MIABC is uniquely positioned to advance members' civil liability interests by pursuing legislative reform.

This year, the MIABC focused on section 744 of the *Local Government Act*, a statutory provision that affords limited immunity to local governments for certain types of nuisance claims. According to Chief Risk Officer Maryam Sherkat, "our members are facing increasingly frequent claims arising from sewer back-ups and floods. In other provinces, municipalities enjoy broad statutory immunity for this type of claim, thanks to clearly worded legislative provisions. That is not the case in BC, where the narrow wording of section 744 has spawned a great deal of litigation."

The MIABC worked to raise awareness around this issue through speaking events and publications. The MIABC put resolutions before each of the Area Association Conferences to ask the UBCM to collaborate with the Province on expanding the wording of section 744. We are pleased to report that at the September UBCM Convention, delegates approved our resolution to expand section 744.



2021 Financial Highlights



I am pleased to present the MIABC's Financial Statements for the 2021 fiscal year.

Subscribers' capital sits at \$100.9 million, up significantly from \$91.1 million at the end of 2020. This is the first time in our organization's history that subscribers' capital has exceeded \$100 million.

Gross written premiums for the Liability and Property Insurance Programs exceeded \$23.3 million (compared to \$20.3 million in 2020). The MIABC ended the year with a net income of \$8.3 million, up from \$4.5 million in 2020.

The Property Insurance Program grew considerably, with the addition of a number of large and small local governments. As of February 2022, half of the MIABC's Liability Program members have now joined the Property Program. Civic Risk Insurance Solutions sourced a wide range of ancillary products for our members and saw broker commission revenue increase 12.4% from the previous year.

The MIABC returned \$374,000 to members in the form of risk management grants. This is down from previous years, but grant volume is expected to return to normal in 2022 with the return of our in-person Risk Management Conference.

The MIABC's investment portfolio grew by \$8 million in 2021, thanks in part to strong performance across the capital markets. The new year, however, has brought renewed volatility and uncertainty in the capital markets.

The MIABC's capital position is strong, as reflected in its minimum capital test (MCT) ratio of 470%, which is well above the requirements of our regulator.

Overall, the MIABC's stronger capital position is a welcome support, given the riskier environment in which we now operate. Liability claims are unpredictable, and claims associated with climate change-related disasters will continue to impact claims on our Liability and Property Insurance Programs. Despite these challenges, our solid capital position continues to support our ability to absorb large claims, while maintaining stable rates through a hardening market.

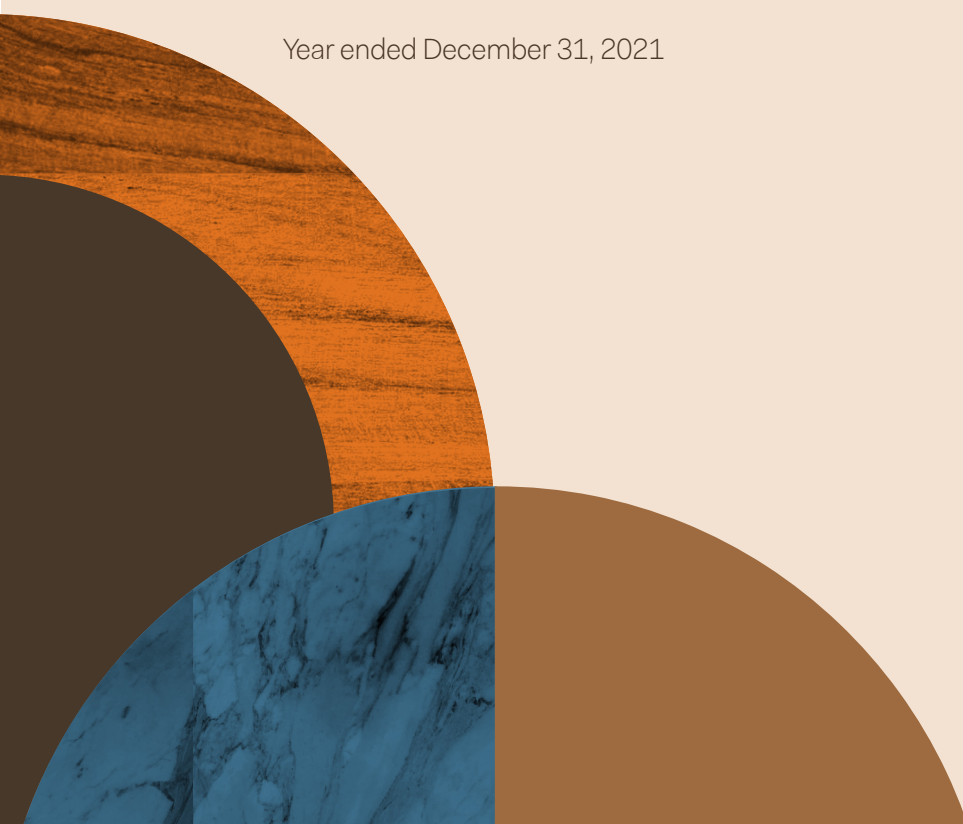
Karen Grommada
Chair, Finance/Audit Committee

Financial Statements 2021

Consolidated Financial Statements of

**MUNICIPAL INSURANCE ASSOCIATION
OF BRITISH COLUMBIA**

Year ended December 31, 2021





INDEPENDENT AUDITORS' REPORT

To the Subscribers of Municipal Insurance Association of British Columbia

Opinion

We have audited the consolidated financial statements of the Municipal Insurance Association of British Columbia (the Association), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of income for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in subscribers' equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Municipal Insurance Association of British Columbia
Page 2

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.



Municipal Insurance Association of British Columbia
Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 9, 2022



REPORT OF THE ACTUARY

Role of Actuary

The actuary is appointed by the Board of Directors of the Municipal Insurance Association of British Columbia ("MIABC") pursuant to the Insurance Act. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. The actuary is also required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the MIABC. Examination of supporting data for accuracy and completeness and consideration of the MIABC's assets are important elements of the work required to form this opinion.

Policy liabilities include unearned premiums, unpaid claims and adjustment expenses, the reinsurers' share of unearned premiums and unpaid claims and adjustment expenses, deferred premium acquisition costs, premium deficiency and retrospective adjustments. The actuary uses the work of the external and internal auditors in verifying data used for valuation purposes.

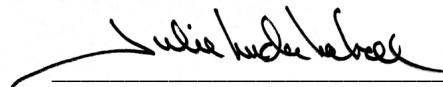
Appointed Actuary's Report

To the Subscribers of the
Municipal Insurance Association of British Columbia

I have valued the policy liabilities and reinsurance recoverables of the Municipal Insurance Association of British Columbia for its statement of financial position at December 31, 2021 and their changes in the statement of earnings for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

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

St-Bruno-de-Montarville, Quebec
March 3, 2022



Julie-Linda Laforce
Fellow, Canadian Institute of Actuaries

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

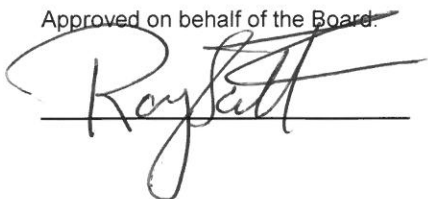
Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Notes	2021	2020
Assets			
Cash		\$ 6,315,447	\$ 8,015,360
Restricted cash	4	500,532	438,044
Accounts receivable		8,121,598	5,637,106
Investments	5	121,735,475	113,760,066
Reinsurers' share of unpaid claims and adjustment expenses	6	12,132,342	7,933,740
Reinsurers' share of unearned premiums		4,788,242	3,711,781
Recoverable from subscribers	6	12,210,385	14,952,856
Deferred policy acquisition costs	7	228,469	178,164
Prepaid expenses		211,007	185,622
Property and equipment	8	7,193,087	7,500,798
Right-of-use asset		38,018	48,880
Investment property	4	15,068,607	15,213,860
		\$ 188,543,209	\$ 177,576,277
Liabilities and Subscribers' Equity			
Accounts payable and accrued liabilities		\$ 1,142,299	\$ 859,071
Lease liabilities	9	39,148	49,599
Premium tax payable		83,900	420,442
Due to reinsurers		4,318,540	3,486,487
Provision for unpaid claims and adjustment expenses	6	75,690,215	76,660,364
Unearned sponsorship fund		14,000	23,000
Unearned premiums		5,192,485	4,049,186
Unearned commissions		1,060,778	854,341
Tenant deposits		48,898	48,898
		87,590,263	86,451,388
Subscribers' equity:			
Equity contributed by subscribers	10	7,866,515	7,866,515
Retained earnings		80,571,191	72,276,839
Accumulated other comprehensive income		12,515,240	10,981,535
		100,952,946	91,124,889
Commitments	11		
		\$ 188,543,209	\$ 177,576,277

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board:



Director



Director

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Consolidated Statement of Income

Year ended December 31, 2021, with comparative information for 2020

	Notes	2021	2020
Gross premiums written		\$ 23,340,308	\$ 20,338,215
Reinsurance ceded		(10,614,715)	(8,730,373)
Net premiums written		12,725,593	11,607,842
Change in unearned premiums		(1,143,299)	(1,110,001)
Change in reinsurers' share of unearned premiums		1,076,461	1,028,726
Net premiums earned		12,658,755	11,526,567
Commission income		1,783,066	1,441,799
Expenses:			
Claims incurred	6	7,860,093	8,275,109
Administrative and claims management	12	4,473,592	3,566,918
Premium tax		972,507	715,523
Risk management grants	11	374,272	460,127
Amortization of property and equipment	8	388,459	389,651
Amortization of leased equipment		10,862	10,862
Lease financing costs		1,484	1,792
Other		(4,489)	9,267
		14,076,780	13,429,249
Underwriting income (loss)		365,039	(460,883)
Other income and expenses:			
Investment income	5	7,430,847	4,416,156
Investment management fees		(242,271)	(219,141)
Rental income, net	13	433,633	400,186
Other income		307,102	259,232
Write down of asset	8	-	(39,376)
Gain from insurance claim coverage	8	-	198,378
		7,929,311	5,015,435
Net income		\$ 8,294,352	\$ 4,554,552

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Consolidated Statement of Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Net income	\$ 8,294,352	\$ 4,554,552
Other comprehensive income:		
Net unrealized change in fair value of AFS securities	1,533,705	2,371,143
Total comprehensive income	\$ 9,828,057	\$ 6,925,695

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Consolidated Statement of Changes in Subscribers' Equity

Year ended December 31, 2021, with comparative information for 2020

	Equity contributed by subscribers	Retained earnings	Accumulated other comprehensive income*	Total subscribers' equity
Balance, December 31, 2019	\$ 7,866,515	\$ 67,722,287	\$ 8,610,392	\$ 84,199,194
Net income	-	4,554,552	-	4,554,552
Other comprehensive income	-	-	2,371,143	2,371,143
Balance, December 31, 2020	7,866,515	72,276,839	10,981,535	91,124,889
Net income	-	8,294,352	-	8,294,352
Other comprehensive income	-	-	1,533,705	1,533,705
Balance, December 31, 2021	\$ 7,866,515	\$ 80,571,191	\$ 12,515,240	\$ 100,952,946

* Represents unrealized gains on AFS financial assets.

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net income	\$ 8,294,352	\$ 4,554,552
Items not affecting cash:		
Amortization of property and equipment	388,459	389,651
Amortization of investment property	159,252	145,882
Amortization of leased equipment	10,862	10,862
Lease financing costs	1,484	1,792
Lease modifications	-	957
Investment income	(7,430,847)	(4,416,156)
Net gain on disposal of AFS financial assets	3,885,609	1,330,271
Write down of asset	-	39,376
Gain from insurance claim coverage	-	(198,378)
	5,309,171	1,858,809
Changes in non-cash operating working capital:		
Accounts receivable	(2,484,492)	(1,060,218)
Reinsurers' share of unpaid claims and adjustment expenses	(4,198,602)	(326,561)
Recoverable from subscribers	2,742,471	940,890
Reinsurers' share of unearned premiums	(1,076,461)	(1,028,726)
Deferred policy acquisition costs	(50,305)	(48,003)
Prepaid expenses	(25,385)	(6,491)
Accounts payable and accrued liabilities	283,225	56,308
Premium tax payable	(336,542)	224,342
Due to reinsurers	832,053	1,149,811
Dividend payable	-	(757,921)
Provision for unpaid claims and adjustment expenses	(970,149)	2,243,146
Unearned premiums	1,143,299	1,110,001
Unearned commissions	206,437	188,006
Unearned sponsorship fund	(9,000)	23,000
	1,365,720	4,566,393
Financing:		
Payments of lease liabilities	(11,935)	(11,935)
Investments:		
Interest received	1,817,111	2,005,919
Dividends received	1,728,127	1,079,966
Net (acquisition) disposal of investments	(6,441,702)	(2,641,711)
Net change in restricted cash	(62,488)	(147,358)
Purchase of building equipment	(80,747)	(88,858)
Purchase of investment property	(13,999)	(79,595)
	(3,053,698)	128,363
Increase (decrease) in cash	(1,699,913)	4,682,821
Cash, beginning of year	8,015,360	3,332,539
Cash, end of year	\$ 6,315,447	\$ 8,015,360

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

1. Reporting entity:

The Municipal Insurance Association of British Columbia (the "Association") is a reciprocal insurance exchange within the meaning of Section 186 of the Financial Institutions Act of British Columbia, (the "Act"), and underwrites property and liability insurance for its subscribers. The address of the Association's registered office is Suite #200 - 429 West 2nd Avenue, Vancouver, British Columbia, V5Y 1E3, and the Association is domiciled in Canada. The Association is tax-exempt under the Income Tax Act (Canada).

These consolidated financial statements incorporate the Association's wholly-owned subsidiaries, MIABC Holdings Ltd. ("MIABC Holdings"), MIABC Management Ltd. ("MIABC Management") and Civic Risk Insurance Solutions, Inc. ("CRIS"). MIABC Holdings and MIABC Management, together, administer and manage the Association's real estate property holdings. CRIS sources ancillary, excess or specialty insurance coverage as requested by subscribers.

Impact of COVID-19:

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. The Association is monitoring its operations, liquidity, and capital resources and is working to minimize the current and future impact of this unprecedented situation. British Columbia local governments have been given immunity from transmission claims during the state of emergency when transmission risk is at its greatest, limiting the risk of local governments being held liable for the transmission of COVID-19. As of the date of issuance of these financial statements the future full impact to the Association is not known.

2. Basis of preparation:

Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on March 3, 2022.

(a) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for available-for-sale ("AFS") financial assets, which are measured at fair value.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

2. Basis of preparation (continued):

(b) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Association's functional currency.

(c) Use of estimates and judgments:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which they become known.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are described in the following notes:

- Note 6 - Provision for unpaid claims and adjustment expense; and
- Note 15 - Financial instruments and financial and insurance risk.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as otherwise noted.

(a) Basis of consolidation:

These consolidated financial statements include the assets, liabilities and result of operations of the Association and its subsidiaries, after elimination of inter-company transactions and balances. Subsidiaries are fully consolidated from the date on which the Association obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Association is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are prepared for the same reporting period as the Association using consistent accounting policies.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(b) Financial instruments:

(i) Non-derivative financial assets:

The Association initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Association becomes a party to the contractual provisions of the instrument.

The Association derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Association is recognized as a separate asset or liability. The Association derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Association has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Association has the following non-derivative financial assets: loans and receivables and available-for-sale ("AFS") financial assets.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash, restricted cash, recoverable from subscribers and accounts receivable.

AFS financial assets:

AFS financial assets are non-derivative financial assets that are designated as AFS or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. The Association's investments are classified as AFS financial assets. Such assets are recognized initially at fair value, and subsequent to initial recognition, they continue to be measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS equity instruments, are recognized in other comprehensive income and presented separately within subscribers' equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net income.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(b) Financial instruments (continued):

(ii) Non-derivative financial liabilities:

The Association's financial liabilities are recognized initially on the trade date at which the Association becomes a party to the contractual provisions of the instrument.

The Association's non-derivative financial liabilities consist of accounts payable and accrued liabilities. Accounts payable and accrued liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(c) Impairment:

(i) Financial assets (including receivables):

A financial asset not carried at fair value through profit and loss 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 a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired include default or delinquency by the debtor, indications that the issuer of a security will enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security, or a significant or prolonged decline in fair value of an equity security below its cost.

Impairment losses on AFS investments are recognized by transferring the cumulative loss that has been recognized in other comprehensive income and presented in accumulated other comprehensive income in subscribers' equity, to net income. The cumulative loss that is removed from other comprehensive income and recognized in net income is the difference between the acquisition costs, net of any principal repayments and amortization, and the current fair value, less any impairment loss previously recognized in net income. Changes in impairment provisions attributable to time value of money are reflected as a component of interest income.

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 net income, then the impairment loss is reversed, with the amount of the reversal recognized in net income. However, any subsequent recovery in the fair value of an impaired AFS equity security is otherwise recognized in other comprehensive income.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(c) Impairment (continued):

(i) Financial assets (including receivables) (continued):

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

(d) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement or disclosure:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for assets or liability.

(e) Property and equipment:

Office building, furniture and fixtures, computer equipment and office improvements are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful lives of the respective assets.

Asset	Estimated useful life
Office building	40 years
Furniture and fixtures	5 years
Computer equipment	3 years
Office improvements	10 years

Amortization methods, useful lives, and residual values are reviewed at each financial year-end and adjusted, if appropriate.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(e) Property and equipment (continued):

The carrying amounts of property and equipment 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.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(f) Investment property:

Investment property includes commercial property held to earn rental income or for capital appreciation, or both. Investment property comprises land, buildings, and parts thereof. Investment property is measured initially at its cost, including related acquisition costs, if applicable. Acquisition costs include applicable transfer taxes and professional fees which are directly attributable to the acquisition of the asset. The carrying amount of investment property also includes components relating to lease incentives, tenant improvements and straight-line rent receivables. Subsequent capital expenditures are capitalized to investment property only when it is probable that future economic benefits of the expenditure will flow to the Association and the cost can be measured reliably.

Subsequent to initial recognition, investment property is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful life of the investment property, being 40 years. The fair value of investment property is determined using available market-based evidence, active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific investment property. If market evidence is not available, the Association uses alternative valuation methods such as recent transaction prices or discounted cash flow projections.

The following approaches, either individually or in combination, are used by management, together with the appraisers, in their determination of the fair value of the investment properties:

- (i) The Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization method and/or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.
- (ii) The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each independent appraisal and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(f) Investment property (continued):

Any gains and losses on the disposal of investment property are recognized in the consolidated statement of income in the year of disposal.

Gains and losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Association has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in finance costs.

(h) Recognition and measurement of insurance contracts:

(i) Classification of insurance contracts:

Insurance contracts are contracts under which the Association accepts or cedes significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiaries. Insurance risk is significant, if and only if, an insured event could cause the Association to pay a significant claim.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

(ii) Premiums:

Earned assessments comprise the premiums on insurance contracts entered into during the year. Premiums are shown gross of any taxes levied on premiums.

The Association recognizes premium income evenly over the term of the insurance policy using the pro rata method.

(iii) Provision for unpaid claims and adjustment expenses:

Claims outstanding comprise provisions for the Association's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not. It also includes estimates relating to claims administration costs recoverable from subscribers. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Claims related balances are carried on a discounted basis in accordance with accepted actuarial practice in Canada.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(h) Recognition and measurement of insurance contracts (continued):

(iii) Provision for unpaid claims and adjustment expenses (continued):

Adjustments to claim provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(iv) Reinsurance:

The Association cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the transfer of insurance risk. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses from the related insurance contracts because the reinsurance arrangements do not relieve the Association from its direct obligations to its policyholders.

Only reinsurance agreements that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognized in the same year as the related claim.

Reinsurance premiums for ceded reinsurance are recognized as an expense over the period that the reinsurance cover is provided using the pro rata method.

The amounts recognized as reinsurance assets are measured on a basis that is consistent with the measurement of the provision for unpaid claims and adjustment expenses held in respect of the related insurance contracts. Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid.

Reinsurance assets are assessed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Association may not recover all amounts due under the terms of the contract and that the event has a reliably measurable impact on the amounts that the Association will receive from the reinsurer. Reinsurance assets and liabilities are derecognized when the contract rights are extinguished or expire.

(v) Deferred policy acquisition costs ("DPAC"):

DPAC are assessed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. When the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of income. DPAC are also considered in the liability adequacy test for each reporting period.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(h) Recognition and measurement of insurance contracts (continued):

(v) Deferred policy acquisition costs ("DPAC") (continued):

Provision is made for unexpired risks arising where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the date of the statement of financial position exceeds the unearned premium provision in relation to such policies after the deduction of any DPAC. In calculating this provision, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment from the assets backing such liabilities, are used. Any deficiency is immediately charged to earnings initially by writing off DPAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpected risk provision). Any DPAC written off cannot subsequently be reinstated.

(vi) Liability adequacy test:

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to net income by establishing a provision for losses arising from liability adequacy tests.

(i) Leases:

At inception of a contract, the Association assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Association recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets are initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or, if that rate cannot be readily determined, the Association's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there are changes in the following: (i) in the lease term; (ii) the Association's assessment of whether it will exercise a purchase option; (iii) a change in an index or a change in the rate used to determine the payments; and (iv) amounts expected to be payable under residual value guarantees.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

3. Significant accounting policies (continued):

(j) Rental revenue:

Rental revenue is recognized in net income on a straight-line basis over the lease term subject to collectability being reasonably assured.

Rental revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

(k) New standards and interpretations not yet adopted:

IFRS 17, Insurance Contracts and IFRS 9 Financial Instruments:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2021, and have not been applied in preparing these consolidated financial statements. None of the new standards are expected to have a significant effect on the consolidated financial statements of the Association except for IFRS 17, *Insurance Contracts* ("IFRS 17") and IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 17 changes the basis for classifying and measuring insurance contracts. The mandatory effective date is January 1, 2023. IFRS 9 impacts the classification and measurement of financial assets and liabilities. The effective date for the Association would have been January 1, 2018; however, insurance entities have been granted a deferral for the implementation of this standard to coincide with the implementation of IFRS 17. The extent of the impact of these new standards has not yet been determined.

4. Investment property:

Balance, December 31, 2019	\$ 15,280,148
Additions	79,594
Amortization	145,882
Balance, December 31, 2020	15,213,860
Additions	13,999
Amortization	159,252
Balance, December 31, 2021	\$ 15,068,607

(a) Restricted cash:

In accordance with the property management agreement, the restricted cash account was created to hold cash in custody for the Association. Funds shall be advanced to the property manager as needed and can only be disbursed from the account to pay for operating costs of the rental property.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

4. Investment property (continued):

(b) Fair value disclosures:

As at December 31, 2021, the fair value of the investment property was reviewed by considering the expected future cash flows, including rental income from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflow that could be expected in respect of the property. The fair market value as at December 31, 2021 is \$30,685,000 (2020 - \$28,408,000).

5. Investments:

(a) The cost and fair value of investments as at December 31 were as follows:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Phillips, Hager & North ("PH&N") Mutual Funds:				
Equities	\$ 11,404,868	\$ 17,072,299	\$ 12,326,950	\$ 17,352,717
Fixed Income	46,394,999	46,813,606	43,764,193	45,302,162
Money Market	40,494,836	40,494,836	32,369,317	32,369,317
	98,294,703	104,380,741	88,460,460	95,024,196
iShares Index Funds:				
Canadian Funds	9,983,948	16,383,464	9,935,567	14,393,518
US Funds	853,997	971,270	4,823,313	4,342,352
	10,837,945	17,354,734	14,758,880	18,735,870
	\$ 109,132,648	\$ 121,735,475	\$ 103,219,340	\$ 113,760,066

(b) Investment income:

	2021	2020
Interest on AFS financial assets	\$ 1,817,111	\$ 2,005,919
Dividends on AFS financial assets	1,728,127	1,079,966
Net gains on disposal of AFS financial assets	3,885,609	1,330,271
	\$ 7,430,847	\$ 4,416,156

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

5. Investments (continued):

(c) Fair value disclosures:

The fair value of the iShares Index Funds Investments were determined using market prices in active markets ("Level 1"). The fair value of the PH&N Mutual Funds Investments ("Level 1") were determined using the daily closing net asset value of the underlying fund. There were no financial instruments that were measured using a valuation technique based on observable market data ("Level 2") and unobservable market data ("Level 3"). During the year ended December 31, 2021, no transfers have been made between the three levels during the year (2020 - nil).

Financial Investment	Fair value	Level 1	Valuation technique	
			Level 2	Level 3
PH&N Investments	\$ 104,380,741	\$ 104,380,741	\$ -	\$ -
iShares Investments	17,354,734	17,354,734	-	-
December 31, 2021	\$ 121,735,475	\$ 121,735,475	\$ -	\$ -

Financial Investment	Fair value	Level 1	Valuation technique	
			Level 2	Level 3
PH&N Investments	\$ 95,024,196	\$ 95,024,196	\$ -	\$ -
iShares Investments	18,735,870	18,735,870	-	-
December 31, 2020	\$ 113,760,066	\$ 113,760,066	\$ -	\$ -

6. Provision for unpaid claims and adjustment expense:

The liability recorded as a provision for unpaid claims and adjustment expenses is determined by the independent actuary based on an actuarial valuation prepared as of December 31 each year. It represents estimates of the ultimate net cost, including legal and adjusters' fees, of all reported and unreported losses incurred to December 31 each year.

Upon settlement of a claim, the Association remits the entire claim payment to the claimant, and subsequently recovers the deductible portion from the subscriber. Accordingly, the provision for unpaid claims and adjustment expenses is shown inclusive of the subscribers' share of \$9,912,846 (2020 - \$12,382,828). The provision for unpaid claims and adjustment expenses also includes \$2,297,539 (2020 - \$2,570,028) in respect of unallocated claims administrative expenses that are recoverable from the subscribers.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

6. Provision for unpaid claims and adjustment expense (continued):

(a) Liability and property insurance program:

	2021	2020
Provision for unpaid claims and adjustment expenses, net, beginning of year	\$ 53,773,768	\$ 50,916,293
Claims incurred during the year	7,860,093	8,275,109
Direct paid claims during the year	(15,027,697)	(9,653,769)
Deductibles recovered	3,137,315	3,363,961
Reinsurance recovered	1,604,009	872,174
Provision for unpaid claims and adjustment expenses, net, end of year	51,347,488	53,773,768
Reinsurers' share of unpaid claims and adjustment expenses, end of year	12,132,342	7,933,740
Recoverable from subscribers, end of year	12,210,385	14,952,856
Provision for unpaid claims and adjustment expenses, end of year	\$ 75,690,215	\$ 76,660,364

Profile of claims liabilities and amounts recoverable from reinsurers:

	2021		2020	
	Gross	Ceded	Gross	Ceded
Unpaid claims and adjustment expenses:				
Undiscounted	\$ 72,668,464	\$ 11,884,670	\$ 72,970,434	\$ 7,686,605
Amount of discount	(4,544,262)	(514,524)	(4,142,402)	(414,385)
Provision for adverse deviations	7,566,013	762,196	7,832,332	661,520
	\$ 75,690,215	\$ 12,132,342	\$ 76,660,364	\$ 7,933,740

The provision for unpaid claims and adjustment expenses and related reinsurance recoveries are discounted using rates based on the expected investment yields. The discount rate applied was 2.35% (2020 - 2.00%). As at December 31, 2021, had the discount rate increased or decreased by 1%, the provision for unpaid claims and adjustment expenses would have decreased by \$1,414,080 (2020 - \$1,501,005) or increased by \$1,497,857 (2020 - \$1,587,602), respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

6. Provision for unpaid claims and adjustment expense (continued):

Development claims table:

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

Gross of Reinsurance/Gross of Deductibles (Ultimate Loss, includes provision for IBNR and provision for ULAE)

Estimate of ultimates	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
At end of accident year	\$ 11,569,007	\$ 11,004,721	\$ 12,186,474	\$ 12,384,790	\$ 13,647,623	\$ 14,951,905	\$ 17,533,520	\$ 27,530,862	\$ 15,138,764	\$ 21,294,262	\$
One year later	13,034,968	10,643,626	10,960,751	14,576,556	13,181,168	16,766,795	17,605,933	27,498,737	11,223,640		
Two years later	13,407,465	10,662,670	11,126,250	14,654,295	10,915,907	15,954,124	17,387,033	25,663,197			
Three years later	13,208,256	12,998,343	9,717,557	14,786,141	9,441,326	15,174,789	16,447,673				
Four years later	15,441,548	10,407,348	8,948,220	13,255,016	8,546,977	14,251,181					
Five years later	15,531,397	10,154,827	9,223,298	12,464,867	7,498,717						
Six years later	16,303,091	9,736,453	7,942,733	12,979,122							
Seven years later	16,739,914	9,532,980	7,680,551								
Eight years later	16,394,113	9,521,948									
Nine years later	17,223,734										
Current estimate of ultimates	17,223,734	9,521,948	7,680,551	12,979,122	7,498,717	14,251,181	16,447,673	25,663,197	11,223,640	21,294,262	143,784,025
Cumulative payments	(16,726,457)	(9,233,358)	(5,999,952)	(10,200,529)	(5,527,856)	(7,929,879)	(7,651,050)	(5,131,243)	(2,590,221)	(2,022,860)	(73,013,405)
Gross liability	\$ 497,277	\$ 288,590	\$ 1,680,599	\$ 2,778,593	\$ 1,970,861	\$ 6,321,302	\$ 8,796,623	\$ 20,531,954	\$ 8,633,419	\$ 19,271,402	\$ 70,770,620
Total all years:											
10 year Net Liability											\$ 70,770,620
Liability in respect of prior years											1,897,845
Effect of Discounting and PFAD											3,021,750
Gross Liability in Statement of Finance Position											\$ 75,690,215

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

7. Deferred policy acquisition costs:

An analysis of the movements in deferred acquisition costs are as follows:

December 31, 2020:	
Expenses deferred	\$ 178,164
Service costs on premiums written in 2021	1,022,812
Recognized in net earnings	(972,507)
December 31, 2021	\$ 228,469
December 31, 2019:	
Expenses deferred	\$ 130,161
Service costs on premiums written in 2020	764,362
Recognized in net earnings	(716,359)
December 31, 2020	\$ 178,164

8. Property and equipment:

	Office building	Furniture and fixtures	Computer equipment	Total
Cost:				
Balance, December 31, 2019	\$ 8,923,833	\$ 574,321	\$ 532,368	\$ 10,030,522
Additions	200,878	14,905	71,454	287,237
Disposals	(98,439)	(36,216)	(176,651)	(311,306)
Balance, December 31, 2020	9,026,272	553,010	427,171	10,006,453
Additions	8,484	30,870	41,393	80,747
Disposals	-	(8,036)	-	(8,036)
Balance, December 31, 2021	\$ 9,034,756	\$ 575,844	\$ 468,564	\$ 10,079,164
Accumulated amortization:				
Balance, December 31, 2019	\$ 1,384,743	\$ 565,691	\$ 437,500	\$ 2,387,934
Amortization	300,171	13,721	75,759	389,651
Disposals	(59,063)	(36,216)	(176,651)	(271,930)
Balance, December 31, 2020	1,625,851	543,196	336,608	2,505,655
Amortization	301,019	11,849	75,591	388,459
Disposals	-	(8,037)	-	(8,037)
Balance, December 31, 2021	\$ 1,926,870	\$ 547,008	\$ 412,199	\$ 2,886,077

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

8. Property and equipment (continued):

	Office building	Furniture and fixtures	Computer equipment	Total
Carrying amounts:				
December 31, 2020	\$ 7,400,421	\$ 9,814	\$ 90,563	\$ 7,500,798
December 31, 2021	7,107,886	28,835	56,366	7,193,087

On May 21, 2020, the MIABC office was damaged as a result of a flood. A net write down of \$39,376 was recorded to recognize the disposal and replacement of the hardwood floor. The office was fully repaired by September 8, 2020.

The Association made a claim under the insurance policy for property insurance. Included in other income for the year ended December 31, 2020 are insurance claims proceeds of \$198,378 of which nil is receivable.

9. Lease liabilities:

The Association leases two photocopier machines. The Association discounts lease payments related to the equipment leases using the incremental borrowing rate of 3%.

The continuity of lease liabilities is as follows:

	2021	2020
Balance, January 1	\$ 49,599	\$ 14,633
Disposals	-	(14,633)
Additions	-	59,742
Payments	(11,935)	(11,935)
Financing costs	1,484	1,792
Balance, December 31	\$ 39,148	\$ 49,599

The two lease agreements expire in 2025.

10. Subscribers' equity:

(a) Equity contributed by subscribers:

	2021	2020
Balance, December 31	\$ 7,866,515	\$ 7,866,515

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

10. Subscribers' equity (continued):

(b) Capital management:

The Association's objectives when managing capital are:

- to safeguard the Association's ability to continue as a going concern so that it can continue to provide coverage for current and future claims payments; and
- to ensure compliance, through monitoring regulatory capital on an ongoing basis.

Subscribers' equity is comprised of equity contributed by subscribers, retained earnings and accumulated other comprehensive income.

The FSA measures the financial strength of property and casualty insurers using the minimum capital test ("MCT"). This test evaluates a Company's capital against its overall risk profile. This risk-based framework assesses assets, liabilities, reinsurance structure, and other such exposures by applying various factors to assess the adequacy of the Association's capital.

The supervisory benchmark set by the FSA is a minimum MCT of 150%. As at December 31, 2021 and 2020, the Association's MCT level is in excess of the 150% MCT level.

In the normal course of business, the Association generates adequate operating cash flow and has limited capital requirements.

11. Commitments:

(a) Pension costs:

The Association and its employees contribute to the Municipal Pension Plan (the "Plan") in accordance with the Pension (Municipal) Act of British Columbia (the "Pension Act"). The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits, on behalf of employers and employees to whom the Pension Act applies. The Plan has approximately 220,321 active members from approximately 945 employers.

The long-term funding policy for the Plan is based on contribution rates by member group classifications. Using this method, employer contribution rates are set so that, in combination with members' contributions, employers will fully pay for benefits earned by typical new entrants to the Plan. As insufficient information is available to apply defined benefit accounting, the Plan is accounted for on a defined contribution basis. The Plan's most recent actuarial valuation report as at December 31, 2018 reported a surplus of \$2,866,444,000. Contributions to the Plan by the Association, which are expensed in the year they are incurred, totaled \$259,645 in 2021 (2020 - \$255,106) and represents approximately 0.009% of total annual contributions to the Plan.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

11. Commitments (continued):

(b) Risk management grants:

The Association has a Risk Management Grant program to assist members in financing risk management initiatives. Members are eligible for a maximum grant of the greater of \$500 and 1% of their opening subscribers' equity of that year. Unused eligible funds may be carried over into subsequent years. During 2021, the Association recorded grants of \$374,272 (2020 - \$460,127). At December 31, 2021, the maximum outstanding liability associated with the grants is \$ 4,265,086 (2020 - \$3,737,388).

12. Related parties:

Key management personnel of the Association includes all directors, executives, non-executives, and senior management.

Key management personnel compensation comprised:

	2021	2020
Salaries and short-term employee benefits	\$ 736,079	\$ 732,386
Post-employment benefits	52,085	51,843

Total salaries and benefits included in administrative and claims management expenses during the year was \$3,653,997 (2020 - \$3,363,905).

13. Rental income, net:

	2021	2020
Gross rental income	\$ 1,153,639	\$ 1,037,002
Operating expenses	(720,006)	(636,816)
Rental income, net	\$ 433,633	\$ 400,186

14. Ceded reinsurance:

To reduce the potential risk that may arise from large losses, the Association cedes premiums to reinsurers, which limits the loss on any one loss or occurrence in each line of business. For liability insurance, there is a maximum exposure of \$7,500,000 (2020 - \$7,500,000) per claim, and for the property insurance program there is a maximum exposure of \$2,000,000 per location. Any excess is covered by reinsurance to the limits of any given policy.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

15. Financial instruments and financial and insurance risk:

(a) Overview:

The Association has exposure to the following risks from its use of financial instruments:

- insurance risk;
- credit risk;
- liquidity risk;
- foreign exchange risk;
- interest rate risk; and
- market risk.

This note presents information about the Association's exposure to each of the above risks, the Association's objectives, policies, and processes for measuring and managing risk, and the Association's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Association's primary long-term risk is that the Association's assets will fall short of its future liabilities (including claims of insured). The main objective of financial risk management is to maintain assets, primarily through a diversified portfolio of investments to ensure sufficient liquidity and value to meet obligations when they fall due.

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Association's risk management framework. The Board of Directors has designated the Governance Committee to be responsible for Enterprise Risk Management and it is responsible for developing and monitoring the Association's risk management policies. The Governance Committee reports regularly to the Board of Directors on its activities.

The Association's risk management policies are established to identify and analyze the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association's activities. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Association's Board of Directors oversees how management monitors compliance with the Association's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Association.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

15. Financial instruments and financial and insurance risk (continued):

(b) Risk management framework (continued):

(i) Insurance risk:

Underwriting risk:

Underwriting risk is the risk that the total cost of claims and claims adjustment expenses will exceed premiums received and can arise as a result of numerous factors, including pricing risk, reserving risk and catastrophe risk. Pricing risk arises because actual claims experience can differ adversely from the assumptions included in pricing calculations.

The Association accepts insurance risk through its insurance contracts and is exposed to the uncertainty surrounding the timing, frequency, and severity of claims under these contracts. The Association manages its insurance risk via its underwriting and reinsurance strategy (note 14) within an overall insurance risk management framework.

Underwriting risk is the exposure to financial loss resulting from the selection and approval of risks to be insured as well as the reduction, retention and transfer of risks. Insurance policies are written in accordance with the management practices and regulations within the provincial jurisdiction taking into account the Association's risk tolerance and underwriting standards.

Reserving risk arises because actual claims experience can differ adversely from the assumptions included in setting reserves, which is due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and the ultimate resolution of the claim. The Association's provision for unpaid claims and adjustment expenses is reviewed annually by an independent actuary.

Reinsurance risk:

The Association is exposed to contract disputes and coverage gaps in its agreement with its reinsurers and the possibility of default by its reinsurers. The Association's strategy in respect of the selection, approval and monitoring of reinsurance agreements is addressed by the following protocols:

- regular review of reinsurance agreements to determine their effectiveness based on current exposures, historical losses and potential future losses; and
- exposures to reinsurance counterparties and active monitoring of the credit quality of those counterparties.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

15. Financial instruments and financial and insurance risk (continued):

(b) Risk management framework (continued):

(ii) Credit risk:

The use of financial instruments involves a credit risk of financial loss resulting from a counterparty's inability or refusal to completely fulfill their contractual obligations. The Association's credit risk lies in its cash, restricted cash, accounts receivable, investments, reinsurers' share of unpaid claims and adjustment expenses and recoverable from subscribers.

The Association's investment policy establishes limits for the investment portfolio. Factors used to set these limits include issuer limits, minimum rating requirements, and concentration limits. The Association primarily invests in money market and fixed income funds and diversification techniques are employed to minimize risk.

The Association's maximum credit exposure at December 31 was as follows:

	2021	2020
Cash	\$ 6,315,447	\$ 8,015,360
Restricted cash	500,532	438,044
Accounts receivable	8,121,598	5,637,106
Reinsurers' share of unpaid claim and adjustment expenses	12,132,342	7,933,740
Recoverable from subscribers	12,210,385	14,952,856
	\$ 39,280,304	\$ 36,977,106

The Association does not have a significant exposure to any individual subscriber or counterparty. Concentrations of credit risk on the reinsurers' portion of unpaid claims and adjustment expenses are with reinsurers located in Canada, Great Britain, and the United States, which are regularly reviewed to ensure they are of good credit standing.

The Association is also exposed to credit risk indirectly through its holdings of fixed income pooled funds.

(iii) Liquidity risk:

Liquidity risk relates to financial liabilities that are settled by delivering cash or another financial asset. The Association's accounts payable and accrued liabilities are primarily due within one year.

The Association's exposure to liquidity risk is minimal as it maintains most of its assets in readily redeemable funds that provide liquidity to meet obligations as they come due.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

15. Financial instruments and financial and insurance risk (continued):

(b) Risk management framework (continued):

(iv) Foreign exchange risk:

Foreign exchange risk arises with changes and fluctuations in exchange rates. As at December 31, 2021, the Association held \$6,539,803 (2020 - \$10,102,768) of its investments in US dollar denominated investments, representing 5.4% (2020 - 8.9%) of the Association's total investment portfolio. All other investments are held in Canadian dollars; therefore, the Association is not exposed to significant foreign exchange risk.

The Association may be indirectly exposed to foreign exchange risk through its investments in pooled funds.

(v) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or investment income on reinvestment at maturity. The Association is not exposed to significant interest risk. However it may be exposed indirectly through its investments in fixed income pooled funds.

(vi) Other price risk:

Market risk refers to the risk that a change in the level of one or more of market prices, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses. As investments are recognized at fair value, these changes affect reported other comprehensive income as they occur. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Association manages other price risk by closely monitoring its investments, and by investing in funds managed by professional investment advisors. As at December 31, 2021, had the prices on the respective stock exchange for equity investment increased or decreased by 1%, with all other variables held constant, comprehensive income would have increased or decreased, respectively by approximately \$344,270 (2020 - \$360,886).

(c) Fair value:

The Association's financial instruments consist primarily of cash, restricted cash, accounts receivable, recoverable from subscribers, investments and accounts payable and accrued liabilities.

Investments are carried at fair value. The carrying values of cash, restricted cash, accounts receivable, recoverable from subscribers and accounts payable and accrued liabilities are considered by management to approximate their fair values due to their immediate or short-term maturity. These financial assets and liabilities are considered Level 2 instruments (see note 3(d) for definition of levels) because while observable prices are available, they are not quoted in an active market.

MUNICIPAL INSURANCE ASSOCIATION OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

Year ended December 31, 2021

15. Financial instruments and financial and insurance risk (continued):

(c) Fair value (continued):

Caution is necessary in making conclusions relative to the potential gain or loss the Association is expected to realize due to differences between fair value and carrying value of the investments because these assets are subject to the above-noted risks.

Members

Group A (Up to 2,000)

100 Mile House	Mount Waddington RD
Alert Bay	MIABC
Ashcroft	Nakusp
Barriere	New Denver
Belcarra	New Hazelton
Cache Creek	North Coast RD
Canal Flats	Port Alice
Central Coast RD	Port Clements
CivicInfo BC	Port Edward
Clinton	Pouce Coupe
Fort St. James	Queen Charlotte
Fraser Lake	Radium Hot Springs
Gold River	Salmo
Granisle	Sayward
Greenwood	Silverton
Harrison Hot Springs	Slocan
Hazelton	Stewart
Hudson's Hope	Tahsis
Jumbo	Taylor
Kaslo	Telkwa
Keremeos	UBCM
Lions Bay	Ucluelet
LGMA	Valemount
Lumby	Warfield
Lytton	Wells
Masset	Zeballos
McBride	
Midway	
Montrose	

Group B (2,001 to 5,000)

Anmore	Pemberton
Bowen Island	Port Hardy
Burns Lake	Port McNeill
Chase	Princeton
Chetwynd	Rossland
Clearwater	Sicamous
Cumberland	Sparwood
Elkford	Squamish-Lillooet RD
Enderby	Tofino
Fruitvale	Tumbler Ridge
Gibsons	Vanderhoof
Golden	
Grand Forks	
Highlands	
Houston	
Invermere	
Lake Cowichan	
Lantzville	
Lillooet	
Logan Lake	
Mackenzie	
Northern Rockies RD	

Group C (5,001 to 25,000)

Alberni-Clayoquot RD	Oak Bay
Armstrong	Okanagan-Similkameen RD
Bulkley-Nechako RD	Oliver
Castlegar	Osoyoos
Central Okanagan RD	Parksville
Central Saanich	Peace River RD
Coldstream	Peachland
Columbia Shuswap RD	Pitt Meadows
Colwood	Port Alberni
Comox Valley RD	Powell River, City
Cranbrook	Prince Rupert
Creston	qathet RD
Dawson Creek	Qualicum Beach
Duncan	Quesnel
East Kootenay	Revelstoke
Esquimalt	Salmon Arm
Fernie	Sechelt
Fort St. John	Sidney
Fraser Valley RD	Smithers
Fraser-Fort George RD	Sooke
Hope	Spallumcheen
Kent	Squamish
Kimberley	Strathcona RD
Kitimat	Summerland
Kitimat-Stikine RD	Sunshine Coast RD
Kootenay Boundary RD	Terrace
Ladysmith	Thompson-Nicola RD
Lake Country	Trail
Merritt	View Royal
Metchosin	White Rock
Nelson	Williams Lake
North Okanagan RD	
North Saanich	

Group D (25,000 +)

Campbell River
Central Kootenay RD
Courtenay
Cowichan Valley RD
Kamloops
Kelowna
Langley, City
Maple Ridge
Mission
Nanaimo, City
Nanaimo RD
North Vancouver, District
Penticton
Port Coquitlam
Port Moody
Richmond
Vernon
Victoria
West Kelowna
West Vancouver
Whistler

The MIABC acknowledges that our main office is situated on the unceded territories of the x^wməθk^wəy̓əm (Musqueam), Sk̓wxwú7mesh (Squamish), and Sel̓ílwitulh (Tsleil-Waututh) Nations. Our organization works and has members on other unceded territories across the province. We are grateful for the opportunity to collaborate with BC's local governments on these lands.



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