



ANNUAL REPORT 2001



"Security & Service Since 1908"

CORPORATE MISSION

Saskatchewan Mutual Insurance Company is dedicated to providing security for its policyholders. Building on an historical foundation of integrity, commitment and superior service, SMI will successfully meet the challenges of the future through strategic planning and innovation.



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to present the 2001 Annual Report to the policyholders of Saskatchewan Mutual Insurance Company.

Your company has once again achieved very good financial results. It is indeed gratifying to report an underwriting profit at a time when the vast majority of insurance companies are reporting significant underwriting losses and a considerable number are reporting net losses. 2001 is the fifth consecutive year that SMI has achieved a loss ratio of less than 60%, which is an outstanding accomplishment that very few insurers can match.

Net earnings amounted to \$1,005,000 for 2001. Earned surplus increased to \$13.2 million at the end of the year and assets now total \$34.1 million.

Direct written premiums increased 3% to \$18.2 million in 2001. We continue to concentrate on growing our automobile and commercial property lines of business.

Reinsurance companies have experienced poor underwriting results and weak investment returns during the past several years and as a result, reinsurance costs increased in 2001 and will rise further in 2002. Fortunately, because of our strong financial condition, we do not rely heavily on reinsurance and are not adversely affected by the current turmoil in the reinsurance marketplace.

The loss ratio declined to 55% in 2001 from 59% in 2000. We experienced excellent underwriting results for all lines of business in all provinces with the exception of British Columbia. Because of low premium volume and unprofitable results in British Columbia, as well as a desire to focus our future growth in the three Prairie provinces, we decided to withdraw from B.C. in the fall of 2001.

General expenses declined by 2% in 2001. We have incurred substantial technology expenditures during the past several years as we attempt to become more efficient, provide superior service and gain access to more and better information. There are a number of significant technology projects in our business plan for the next two years.

Investments total \$25.5 million at the end of 2001. Despite very weak global equity markets, our investment portfolio generated a rate of return of 7.5% for 2001. Short-term bonds performed strongly and the return on our Canadian equities was very good on a relative basis.

We appreciate the support of our brokers and are once again pleased to note that we are a "Full Partner" in the Broker Identity Program for 2002.

Our success during the past several years is the result of the knowledge, expertise and hard work of our employees and we thank them for their efforts throughout 2001.

A handwritten signature in black ink, appearing to read 'A.G. Ayers', written over a horizontal line.

A.G. Ayers, F.C.A.
Chairman

A handwritten signature in black ink, appearing to read 'Randy W. Trost', written over a horizontal line.

R.W. Trost, C.A., HCIP
President & C.E.O.

MANAGEMENT REPORT

The financial statements are the responsibility of the management of SASKATCHEWAN MUTUAL INSURANCE COMPANY. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management is also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of four non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.



R. W. Trost, C.A., HCIP
President & C.E.O.



S. L. Forbister, C.A.
Secretary-Treasurer

February 18, 2002



AUDITORS' REPORT TO THE POLICYHOLDERS

We have audited the balance sheet of Saskatchewan Mutual Insurance Company as at December 31, 2001 and the statements of operations and earned surplus and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan

February 18, 2002

APPOINTED ACTUARY'S REPORT TO THE POLICYHOLDERS

I have valued the policy liabilities of Saskatchewan Mutual Insurance Company in its balance sheet at December 31, 2001 and their change as reflected in its statement of operations for the year then ended in accordance with accepted actuarial practice, including the selection of appropriate assumptions and methods, except as described in the following paragraph.

Under accepted actuarial practice, the valuation of policy liabilities reflects the time value of money. Pursuant to the authority granted by the Insurance Companies Act, the Superintendent of Financial Institutions Canada has directed that the valuation of some policy liabilities not reflect the time value of money. My valuation complies with that directive.

Except as noted in the previous paragraph, in my opinion the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.



Richard Gauthier, FCIA, FCAS, MAAA

February 22, 2002



BALANCE SHEET

December 31, 2001, with comparative figures for 2000

(thousands of dollars)

	2001	2000
Assets		
Cash	\$ 235	\$ 7
Premiums due from policyholders	1,566	1,448
Amounts due from brokers	943	1,034
Due from other insurance companies	87	138
Accrued investment income	246	280
Sundry accounts receivable	10	13
Reinsurers' share of provisions for:		
Unpaid claims and adjusting expenses (note 4)	1,108	1,336
Unearned premiums	14	9
Investments (note 3)	25,524	25,073
Deferred policy acquisition costs	2,119	2,079
Capital assets at cost less accumulated amortization of \$1,735 (2000 - \$1,611)	579	698
Accrued pension benefits (note 8)	1,698	1,242
	\$ 34,129	\$ 33,357
Liabilities and Surplus		
Due to other insurance companies	\$ 31	\$ 75
Premium taxes payable	729	672
Accounts payable	247	267
Income taxes payable	79	501
Unpaid claims and adjusting expenses (note 4)	8,043	8,100
Unearned premiums	9,279	9,056
Future income taxes (note 7)	458	428
	18,866	19,099
Surplus:		
Reserves required by the Office of the Superintendent of Financial Institutions Canada (note 6)	2,013	1,762
Earned surplus	13,250	12,496
	15,263	14,258
	\$ 34,129	\$ 33,357

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

STATEMENT OF OPERATIONS AND EARNED SURPLUS

Year ended December 31, 2001, with comparative figures for 2000

(thousands of dollars)

	2001	2000
Direct premiums written	\$ 18,206	\$ 17,687
Deduct reinsurance ceded	821	738
Net premiums written	17,385	16,949
Change in unearned premiums	(218)	(166)
Net premiums earned (note 5)	17,167	16,783
Service charges	17	-
	17,184	16,783
Claims and adjusting expenses (note 5)	9,414	9,926
Commissions	3,501	3,421
Taxes	801	755
General expenses	3,068	3,133
Total claims and expenses	16,784	17,235
Net underwriting income (loss)	400	(452)
Investment operations:		
Interest	1,228	1,302
Gain (loss) on sale of investments	(56)	83
Rental Income	66	59
Dividends	33	27
	1,271	1,471
Expenses	31	41
Investment income	1,240	1,430
Earnings before income taxes	1,640	978
Income taxes (note 7)	635	420
Net earnings	1,005	558
Earned surplus, beginning of year	12,496	12,315
Transfers to reserves required by the Office of the Superintendent of Financial Institutions Canada (note 6)	(251)	(377)
Earned surplus, end of year	\$ 13,250	\$ 12,496

See accompanying notes to financial statements.



STATEMENT OF CASH FLOWS

Year ended December 31, 2001, with comparative figures for 2000

(thousands of dollars)

	2001	2000
Cash provided by (used in):		
Operations:		
Net earnings	\$ 1,005	\$ 558
Changes in non-cash balances:		
Unearned premiums	223	167
Unpaid claims and adjusting expenses	(57)	540
Reinsurers' share of unearned premiums	(5)	(1)
Reinsurers' share of unpaid claims and adjusting expenses	228	144
Deferred policy acquisition costs	(40)	(26)
Accrued pension benefit	(456)	(315)
Receivables	61	86
Payables	(429)	675
Future income taxes	30	(97)
Amortization of capital assets	124	131
Loss (gain) on sale of investments	56	(83)
	740	1,779
Investing:		
Purchase of bonds	(1,613)	(4,233)
Purchase of equities	(3,911)	(30)
Proceeds from sale of bonds	3,395	2,778
Proceeds from sale of equities	178	1,679
Purchase of capital assets	(5)	(108)
Proceeds from sale of other assets	-	1
	(1,956)	87
Increase (decrease) in cash and cash equivalents	(1,216)	1,866
Cash and cash equivalents, beginning of year	3,008	1,142
Cash and cash equivalents, end of year	\$ 1,792	\$ 3,008
Cash and cash equivalents, end of year:		
Cash	\$ 235	\$ 7
Short-term investments (note 3)	1,557	3,001
	\$ 1,792	\$ 3,008
Supplementary cash flow information:		
Income taxes paid	\$ 1,027	\$ 33

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2001

Saskatchewan Mutual Insurance Company is a federally registered mutual corporation licensed to write property, automobile, liability, fidelity and boiler and machinery insurance, in the provinces of Saskatchewan, Manitoba, Alberta and British Columbia. The Company is subject to the Insurance Companies Act (the Act) and to regulation by the Office of the Superintendent of Financial Institutions Canada (OSFI) and the Provincial Superintendents of Financial Institutions/Insurance for the provinces in which the Company is licensed.

1. Summary of significant accounting policies:

These financial statements have been prepared in accordance with Section 331(4) of the Act which states that, except as otherwise specified by OSFI, the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles.

The significant accounting policies adopted by the Company are as follows:

a) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles, including the requirements of OSFI, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period of the statement of operations. Actual results could differ from those estimates.

b) Cash and cash equivalents:

Cash and cash equivalents consist of cash and short-term investments available within ninety days, net of cheques and other items in transit.

c) Investments:

Investments are carried at cost. A write-down of the carrying value is charged against income when evidence indicates a permanent decline in the underlying value and earning power of an individual investment. Gains and losses on disposal of investments are determined on a completed transaction basis.

d) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is provided on the following basis:

Asset	Basis	Rate
Building	Declining balance	5%
Furniture and equipment	Declining balance	20%
Computer equipment	Straight-line	20%



NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

- e) Premium earned and deferred policy acquisition costs:
- i) Premiums and unearned premiums:
- Insurance premiums are included in income evenly over the term of the insurance policy using the pro-rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums.
- ii) Deferred policy acquisition costs:
- Acquisition expenses related to the unearned premium, including commissions and premium taxes, are deferred and amortized to income over the periods in which the premiums are earned. The method followed in determining the deferred policy acquisition costs limits the amount of the deferrals to a realizable value giving consideration to losses and expenses expected to be incurred as premiums are earned. Consideration is given to anticipated investment income in determining the amount of the deferral.
- f) Unpaid claims and adjusting expenses:
- The provision for unpaid claims and adjusting expenses represents an estimate for the full amount of all costs including investigation and the projected final settlements of claims incurred to the balance sheet date. As directed by OSFI, the provision estimations do not take into consideration the time value of money, or make explicit provision for adverse deviation, except for accident benefit claims under automobile insurance policies. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred losses in the current period.
- g) Reinsurance:
- The Company reflects reinsurance balances on the balance sheet on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policyholders and on a net basis in the statement of operations to indicate the results of its retention of premiums written.
- Amounts recoverable from reinsurers are estimated in a manner consistent with the related liability.

NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

h) Income taxes:

Income taxes are accounted for using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled. The major differences relate to unpaid claims and adjusting expenses, investments in bonds and shares, amortization of capital assets and the accrued pension benefit asset.

i) Accrued pension benefit:

The Company maintains a contributory defined benefit pension plan for substantially all its employees. The cost of pension benefits earned by employees is determined using the projected benefit method. Accordingly, the cost is pro-rated on service and charged to expense as services are rendered. This cost reflects management's best estimates of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees.

2. Role of the actuary and auditor:

The actuary is appointed by the Board of Directors pursuant to the Insurance Companies Act. The actuary's responsibility is to carry out an annual valuation of the Company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders. Examination of supporting data for accuracy and completeness, and analysis of company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion. The actuary, in his verification of the underlying data used in the valuation, also makes use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

The external auditors have been appointed by the policyholders pursuant to the Insurance Companies Act. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the policyholders. In carrying out their audit, the auditors also make use of the work of the actuary and his report. The auditors' report outlines the scope of their audit and their opinion.



NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

3. Investments:

(thousands of dollars)

	2001		2000	
	Book Value	Estimated Fair Value	Book Value	Estimated Fair Value
Short-term investments	\$ 1,557	\$ 1,557	\$ 3,001	\$ 3,001
Debt securities:				
Federal	8,858	9,139	10,394	10,350
Provincial	10,653	11,155	10,961	11,055
Municipal	203	209	-	-
Corporate – Rated A	519	521	717	705
	20,233	21,024	22,072	22,110
Equities:				
Canadian	1,844	1,872	-	-
U.S.	1,049	1,024	-	-
Non-North American	841	726	-	-
	3,734	3,622	-	-
	\$ 25,524	\$ 26,203	\$ 25,073	\$ 25,111

The estimated fair value of debt securities and equities is based on quoted market values. Expected transaction costs as at the date of the balance sheet are immaterial and are not deducted in determining estimated fair values.

Management has reviewed currently available information regarding those investments whose estimated fair value is less than book value and ascertained that the book values are expected to be recovered and accordingly there were no write-downs or provisions recorded in 2001 or 2000.

The difference between book value and market value of the investments consists of the following gross unrealized gains and losses:

(thousands of dollars)

	2001		2000	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
Debt securities:				
Federal	\$ 281	\$ -	\$ 23	\$ 67
Provincial	502	-	115	21
Municipal	6	-	-	-
Corporate – Rated A	6	4	-	12
	795	4	138	100
Equities:				
Canadian	28	-	-	-
U.S.	-	25	-	-
Non-North American	-	115	-	-
	28	140	-	-
	\$ 823	\$ 144	\$ 138	\$ 100

NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

Liquidity and interest rate risk:

(thousands of dollars)

	Within 3 Months	3 Months to 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Book Value
Interest bearing investments	\$ 1,557	\$ 4,055	\$ 7,899	\$ 6,557	\$ 1,722	\$21,790
Effective yield	2.5%	5.3%	5.2%	5.8%	6.1%	5.3%

Investments are susceptible to interest rate fluctuations. The impact on investment income in the next year over that of the current year, for fixed rate investments maturing within one year, could be an increase or decrease of up to \$56,000, if the yield to maturity were to change by 100 basis points (1%).

4. Unpaid claims and adjusting expenses:

Scope:

The establishment of the provision for unpaid claims and adjusting expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. These factors include the Company's experience with similar cases and historical trends involving claims payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns, such as those caused by natural disasters or accidents.

Other factors included the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claim department's personnel and independent adjusters retained to handle individual claims, the quality of data used for projection purposes, existing claims management practices, including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, court decisions, economic conditions and public attitudes. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of loss and the payment or settlement of the claims, the more variable the ultimate settlement can be. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as general liability claims.

Consequently, the establishment of the provision for unpaid claims and adjusting expenses process relies on the judgement and opinions of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The provision for unpaid claims and adjusting expenses and related reinsurers' share involves risk that actual amounts could vary materially from estimates in the near term.



NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

The table below details the provision for unpaid claims and adjusting expenses by risk categories.

(thousands of dollars)

Type of claim provision	2001		2000	
	Gross	Reinsurers' Share	Gross	Reinsurers' Share
Long settlement term -				
Automobile (excluding physical damage)	\$ 1,253	\$ 87	\$ 1,232	\$ 131
General liability	2,601	667	2,720	805
Short settlement term	4,183	354	4,133	400
Facility Association	6	-	15	-
Total	\$ 8,043	\$ 1,108	\$ 8,100	\$ 1,336

Future investment income:

The provision for unpaid claims and adjusting expenses does not take into account the time value of money or make explicit provisions for adverse deviation, except for accident claims under automobile insurance policies, which have been discounted using an interest assumption of 5%.

The total accident benefit claims, net of reinsurance, on a discounted basis were \$394,000 (2000 - \$361,000) and on an undiscounted basis were \$800,000 (2000 - \$679,000).

Accident benefit claim liability discounting is susceptible to interest rate fluctuations. The impact on accident benefit net unpaid claims at the balance sheet date could be an increase of up to \$57,000 if the discount rate were to decrease by 100 basis points (1%).

Claims and adjusting expenses:

Changes in claim liabilities recorded in the balance sheet for the years ended December 31, 2001 and 2000 and their impact on claims and adjusting expenses for the two years follow:

(thousands of dollars)

	2001	2000
Unpaid claim liabilities, beginning of year, net	\$ 6,764	\$ 6,080
Decrease in estimated losses and expenses, for losses occurring in prior years	(792)	(832)
Provision for losses and expenses on claims occurring in the current year	10,206	10,758
Paid on claims occurring during:		
The current year	(6,203)	(6,489)
Prior years	(3,040)	(2,753)
Unpaid claim liabilities, end of year, net	6,935	6,764
Reinsurers' share	1,108	1,336
Provision for unpaid claims and adjusting expenses, end of year	\$ 8,043	\$ 8,100

NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

5. Underwriting policy and reinsurance ceded:

The Company follows the policy of underwriting and reinsuring contracts of insurance, which limited the liability of the Company in 2001 to a maximum amount of \$250,000 (\$500,000 for catastrophe losses), in respect of single loss or series of losses arising out of a single occurrence. In 2001, the reinsurance had an upper limit of \$11,100,000 (\$11,100,000 for catastrophe losses). Reinsurance ceded does not relieve the Company of primary liability as the originating insurer. The following table sets out the impact of reinsurance ceded on premiums earned and claims and adjusting expenses:

(thousands of dollars)

	2001	2000
Gross premiums earned	\$ 17,983	\$ 17,520
Deduction for reinsurance ceded	816	737
Net premiums earned	\$ 17,167	\$ 16,783
Gross claims and adjusting expenses	\$ 9,421	\$ 10,046
Deduction for reinsurance ceded	7	120
Claims and adjusting expense	\$ 9,414	\$ 9,926

The Company has guidelines and a review process in place to ascertain the credit worthiness of the companies to which it cedes. The Company places all of its reinsurance with companies registered with OSFI. There were no write-offs in 2001 or 2000. No information has come to the Company's attention indicating weakness or failure of any of its current reinsurers, so no provision has been made in the accounts for doubtful collection.

6. Reserves required by the Office of the Superintendent of Financial Institutions Canada:

These reserves represent appropriations of earned surplus in respect of assets not admitted, investment valuations, and other statutory requirements. These appropriations are not recognized as part of statutory capital and surplus.

7. Income taxes:

Income tax expense, including both the current and future portions, varies from the amounts that would be computed by applying the statutory federal and provincial tax rates aggregating 44.1% (2000– 44.8%) to income before taxes. Income taxes have been computed as follows:

(thousands of dollars)

	2001	2000
Tax at basic rates	\$ 723	\$ 437
Decrease in taxes resulting from:		
Permanent differences	(1)	(14)
Change in future statutory rates	(87)	(3)
Provision for income taxes	\$ 635	\$ 420



NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

(thousands of dollars)

	2001	2000
Effective rate	38.7%	42.9%
The provision for income taxes is comprised of:		
Current income taxes	\$ 605	\$ 517
Future income taxes (recovery)	30	(97)
Provision for income taxes	\$ 635	\$ 420

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below.

(thousands of dollars)

	2001	2000
Future income tax assets:		
Capital assets	\$ 47	\$ 60
Unpaid claims and adjusting expenses	131	96
Investments	8	-
	186	156
Future income tax liabilities:		
Accrued pension benefit	(644)	(557)
Investments	-	(27)
	-	(584)
Net future income tax liability	\$ (458)	\$ (428)

8. Contributory defined benefit pension plan:

Plan assets and obligations:

(thousands of dollars)

	2001	2000
Fair value of pension plan assets	\$ 11,885	\$ 11,415
Accrued pension benefits obligation	6,338	6,082
Surplus	5,547	5,333
Accrued pension benefit	1,698	1,242

NOTES TO FINANCIAL STATEMENTS - continued

Year ended December 31, 2001

During 2001, the Company did not make any contributions to the Pension Plan. The employee contributions during 2001 were \$66,000 and benefits paid were \$437,000.

The investment return on pension assets and amortization of experience gains, net of current service costs and other pension expenses, totaling \$456,000 has been recorded as a reduction of general expenses in the statement of operations.

Supplementary information:

Pension assets consists of units in a balanced fund.

The Company bears the risk of experience loss against the actuarial assumptions and credit risk associated with the pension asset portfolio. Credit risk is managed through the pension plan investment policy which governs the types of investments that can be utilized in the pension plan.

The significant actuarial assumptions adopted in measuring the Company's benefit obligation for 2001 are as follows:

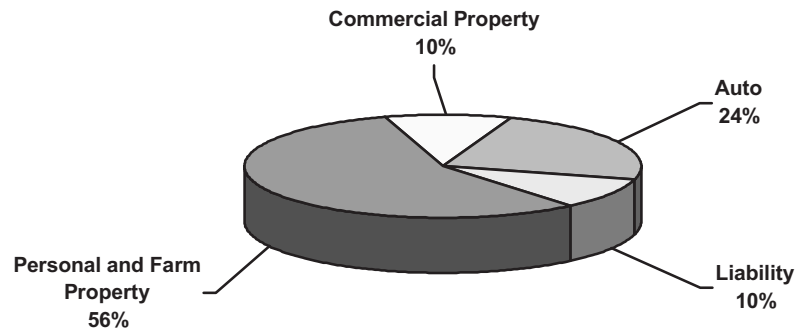
Discount rate	7.3%
Expected rate of return on plan assets	7.0%
Rate of compensation increase	6.0%

9. Fair values:

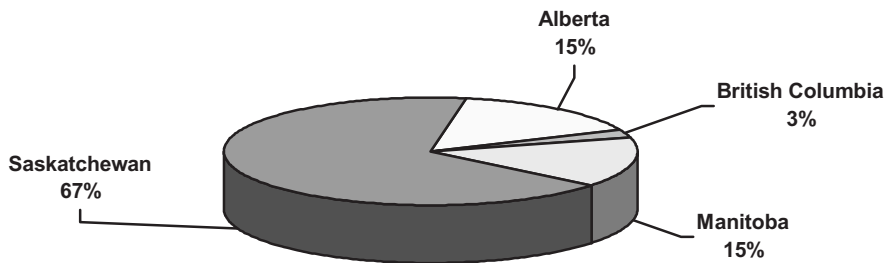
The fair value of financial assets and liabilities, other than investments (note 3) and unpaid claims and adjusting expenses (note 4) approximate their carrying amounts due to the short-term maturity of these financial instruments.

The fair value of unpaid claims and adjusting expenses has not been provided since the fair value cannot be determined with sufficient reliability.

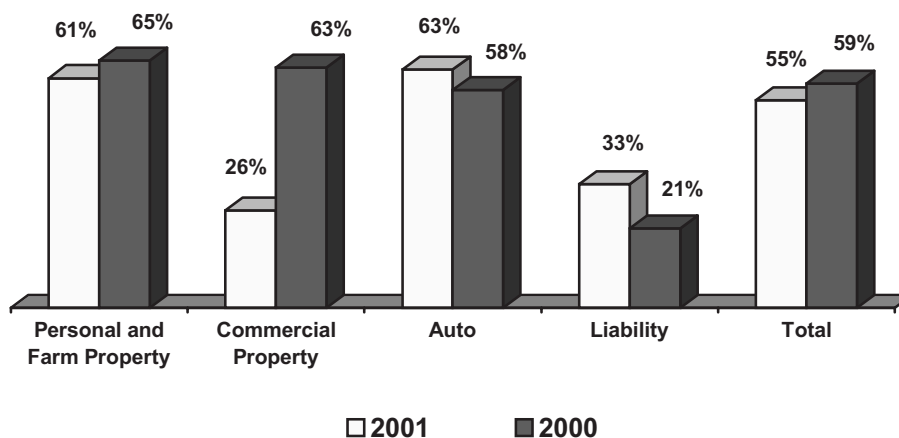
2001 NET PREMIUMS WRITTEN BY CLASS OF BUSINESS



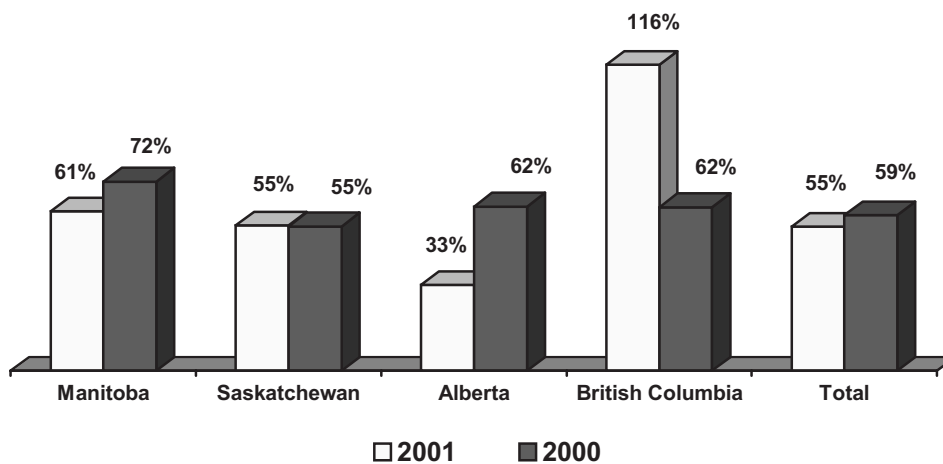
2001 NET PREMIUMS WRITTEN BY PROVINCE



NET LOSS RATIO BY CLASS OF BUSINESS



NET LOSS RATIO BY PROVINCE





DIRECTORS

A.G. Ayers, F.C.A.	Chairman
R.C. Strayer, P. Eng.	Vice Chairman
B.H. Bays, F.I.I.C.	
B.A. Latrace-Henderson, B.Ed.	
D.S. McKercher, Q.C.	
Dr. W.G. Salisbury	
R.W. Trost, C.A., HCIP	
Dr. R.R. Wheaton	
C.E. Wright	

OFFICERS AND MANAGEMENT

R.W. Trost, C.A., HCIP	President & C.E.O.
R.F. Simmer, FCIP	Vice President
S.L. Forbister, C.A.	Secretary-Treasurer
R.J. Wotherspoon, FCIP	Claims Manager
K.L. Heuchert, MCSE	Information Systems Manager
D.F. Schlosser, FCIP	Marketing Manager
D.M. Thiessen, FCIP	Underwriting Manager

MARKETING REPRESENTATIVES

E.M. Baker, Saskatoon
G.E. Joynt, CIP, Saskatoon
S.L. Kraft, CIP, Calgary
T.L. Piasta, CIP, Winnipeg

CLAIMS REPRESENTATIVES

L.S. Bradford, CIP, Saskatoon
N.J. Magdalin, Regina

ACTUARY

Richard Gauthier, FCIA, FCAS, MAAA
PricewaterhouseCoopers, Toronto

AUDITORS

KPMG, Saskatoon