SASKATCHEWAN MUTUAL INSURANCE COMPANY

ANNUAL REPORT 2003

"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 2003 Annual Report to the policyholders of Saskatchewan Mutual Insurance Company.

2003 was a year of very significant growth in premium revenue; however, net income declined because of an increase in both summer storm claims and large fire losses. Net income amounted to $388,000, which increased the equity of the company to $16.7 million. Assets now total just under $40 million. SMI continues to be a financially strong company with an excellent regulatory capital score, a “Secure” A.M. Best rating, conservative reserving practices and a prudent level of premiums written relative to our capital.

Direct written premiums increased 25% to $25.1 million. Commercial property business, which was our fastest growing line of business, increased 57%. The other major source of growth was Alberta, where direct written premiums increased 69% in 2003 and have more than doubled in the past two years.

Our loss ratio, after six consecutive years of being less than 60%, climbed to 60.7% in 2003. Loss experience continues to be excellent in Alberta and Manitoba for all lines of business. However, for the second straight year, Saskatchewan loss experience was poor with habitational and farm business experiencing high loss ratios.

The expense ratio decreased to 42.1% in 2003 from 43.8% in 2002. Further significant decreases are needed to increase profitability and enable SMI to grow and be successful in the future.

Investment income declined by 28% as gains on investments sold decreased significantly in 2003. The investment portfolio continues to be very conservatively managed with fixed income securities amounting to 83% of the total portfolio. Investments total $27.2 million at the end of the year.

We thank our brokers for their strong support throughout the year. It is our goal to be a very important partner with each and every one of our brokers.

We also wish to thank our employees for their dedication and hard work. 2003 was a very difficult year for SMI employees with the tragic passing of a friend and co-worker, Tanya Bergen. In memory of Tanya, we have established the Tanya C. Bergen Memorial Scholarship at the University of Saskatchewan.

Dr. Gary Salisbury is completing his term as a director and has decided not to stand for re-election. Dr. Salisbury has served on the SMI Board of Directors since 1988 and we thank Gary for his many contributions to SMI.

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

R.W. Trost, C.A., HCIP
President & CEO

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 five 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 16, 2004

AUDITORS' REPORT TO THE POLICYHOLDERS

We have audited the balance sheet of Saskatchewan Mutual Insurance Company as at December 31, 2003 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, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan

February 16, 2004

APPOINTED ACTUARY'S REPORT TO THE POLICYHOLDERS

I have valued the policy liabilities of Saskatchewan Mutual Insurance Company for its balance sheet at December 31, 2003 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

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 23, 2004

BALANCE SHEET
(in thousands of dollars)

December 31, 2003, with comparative figures for 2002

		2003		2002
Assets				
Cash	$	1,802	$	468
Premiums due from policyholders		2,395		1,866
Amounts due from brokers		1,097		965
Due from other insurance companies		344		209
Accrued investment income		178		204
Income taxes receivable		277		242
Sundry accounts receivables		12		13
Reinsurers' share of provisions for:				
Unpaid claims and adjusting expenses (note 5)		515		1,425
Unearned premiums		31		21
Investments (note 4)		27,250		25,506
Deferred policy acquisition costs		2,855		2,350
Property and equipment at cost less accumulated amortization of $2,111 (2002 - $1,953)		597		748
Accrued pension benefits (note 9)		2,546		2,166
	$	39,899	$	36,183
Liabilities and Surplus				
Due to other insurance companies	$	310	$	71
Premium taxes payable		1,006		821
Accounts payable		271		214
Unpaid claims and adjusting expenses (note 5)		8,220		7,702
Unearned premiums		12,600		10,322
Future income taxes (note 8)		821		770
		23,228		19,900
Surplus:				
Reserves required by the Office of the Superintendent of Financial Institutions Canada (note 7)		2,832		2,560
Earned surplus		13,839		13,723
		16,671		16,283
	$	39,899	$	36,183

See accompanying notes to financial statements.

On behalf of the Board:

Director

Randy W. Frost Director

STATEMENT OF OPERATIONS AND EARNED SURPLUS
(in thousands of dollars)

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Direct premiums written	$ 25,148	$ 20,086
Deduct reinsurance ceded	1,676	1,342
Net premiums written	23,472	18,744
Change in unearned premiums	(2,268)	(1,036)
Net premiums earned (note 6)	21,204	17,708
Service charges	137	79
	21,341	17,787
Claims and adjusting expenses (note 6)	12,875	9,871
Commissions	4,508	3,718
Taxes and licenses	988	841
General expenses	3,437	3,189
	21,808	17,619
Net underwriting income (loss)	(467)	168
Investment operations:		
Interest	1,043	1,091
Gain on sale of investments	144	397
Rental income (loss)	(21)	38
Dividends	63	54
	1,229	1,580
Expenses	120	49
Investment income	1,109	1,531
Earnings before income taxes	642	1,699
Income taxes (note 8)	254	679
Net earnings	388	1,020
Earned surplus, beginning of year	13,723	13,250
Transfers to reserves required by the Office of the Superintendent of Financial Institutions Canada (note 7)	(272)	(547)
Earned surplus, end of year	$ 13,839	$ 13,723

STATEMENT OF CASH FLOWS

(in thousands of dollars)

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operations:		
Net earnings	$ 388	$ 1,020
Items not affecting cash:		
Future income taxes	51	312
Amortization of property and equipment	158	218
Gain on sale of investments	(144)	(397)
Change in non-cash balances related to operations:		
Unearned premiums	2,278	1,043
Unpaid claims and adjusting expenses	518	(341)
Reinsurers' share of unearned premiums	(10)	(7)
Reinsurers' share of unpaid claims and adjusting expenses	910	(317)
Deferred policy acquisition costs	(505)	(231)
Accrued pension benefit	(380)	(468)
Receivables	(804)	(647)
Payables	481	20
	2,941	205
Investments:		
Purchase of bonds	(21,798)	(18,857)
Purchase of equities	(684)	(4,713)
Proceeds from sale of bonds	19,211	19,851
Proceeds from sale of equities	353	3,859
Amortization of premium on bonds	114	-
Purchase of equipment	(7)	(387)
	(2,811)	(247)
Increase (decrease) in cash and cash equivalents	130	(42)
Cash and cash equivalents, beginning of year	1,750	1,792
Cash and cash equivalents, end of year	$ 1,880	$ 1,750
Cash and cash equivalents, end of year:		
Cash	$ 1,802	$ 468
Short-term investments (note 4)	78	1,282
	$ 1,880	$ 1,750
Supplemental cash flow disclosure:		
Income taxes paid	$ 448	$ 687

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 and Alberta. 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. 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 set out below. These accounting policies conform, in all material respects, to Canadian generally accepted accounting principles.

(a) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Actual results could differ from these estimates.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of balances with financial institutions that have an initial term to maturity of three months or less, net of cheques and other items in transit.

(c) Investments:

Debt securities are carried at amortized cost. Premiums or discounts incurred on the purchase of debt securities are amortized on a straight-line basis over the remaining life of the investment. Investments in short-term securities and equities are carried at cost.

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

1. Significant accounting policies (continued):

(d) Property and equipment:

Property and equipment is 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	33%

(e) Premiums 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.

1. Significant accounting policies (continued):

(f) Unpaid claims and adjusting expenses:

The provision for unpaid claims represents the amounts needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that have occurred on or before each balance sheet date. The provision for adjusting expenses represents the estimated ultimate expected costs of investigating, resolving and processing these claims. The computation of these provisions takes into account the time value of money. The process of determining the provision for unpaid claims and adjusting expenses necessarily involves risks that the actual results will deviate from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk, claims development and recoverability of reinsurance balances.

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.

(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, amortization of property and equipment and the accrued pension benefit asset.

1. Significant accounting policies (continued):

(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. Change in accounting policy:

Effective January 1, 2003, the Company adopted the new requirement of OSFI that the provision for unpaid claims and adjusting expenses be reported on a discounted basis. Previously, the provision for unpaid claims and adjusting expenses were presented on an undiscounted basis, except for the provision for unpaid claims and adjusting expenses related to accident benefit claims, which were discounted in accordance with accepted actuarial practice as permitted by OSFI. The impact of the change in accounting policy was not material to the financial statements for the years ended December 31, 2003 and 2002.

3. 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.

(in thousands of dollars)

4. Investments:

	2003 Book Value	2003 Estimated Fair Value	2002 Book Value	2002 Estimated Fair Value
Short-term investments	$ 78	$ 78	$ 1,282	$ 1,282
Debt securities:				
Federal	12,595	12,816	10,050	10,239
Provincial	4,748	4,924	4,498	4,692
Corporate	5,019	5,141	5,181	5,245
	22,362	22,881	19,729	20,176
Equities:				
Canadian	2,228	2,364	2,435	2,126
U.S.	1,515	1,308	1,122	849
Non-North American	1,067	1,145	938	896
	4,810	4,817	4,495	3,871
	$ 27,250	$ 27,776	$ 25,506	$ 25,329

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 2003 or 2002.

(in thousands of dollars)

4. Investments (continued):

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

	2003		2002	
	Unrealized gains	Unrealized losses	Unrealized gains	Unrealized losses
Debt securities:				
Federal	$ 231	$ 10	$ 189	$ -
Provincial	176	-	194	-
Corporate	122	-	64	-
	529	10	447	-
Equities:				
Canadian	136	-	-	309
U.S.	-	207	-	273
Non-North American	78	-	-	42
	214	207	-	624
	$ 743	$ 217	$ 447	$ 624

Liquidity and interest rate risk:

	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	$ 78	$ -	$ 4,165	$ 6,953	$ 11,244	$ 22,440
Effective yield	2.6 %	- %	5.3 %	5.1 %	5.3 %	5.2 %

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 would not be materially different if the yield to maturity were to change by 100 basis points (1%).

5. 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, investment rates of return, 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.

(in thousands of dollars)

5. Unpaid claims and adjusting expenses (continued):

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

Type of claim provision	2003 Gross	2003 Reinsurers' Share	2002 Gross	2002 Reinsurers' Share
Long settlement term:				
Automobile (excluding physical damage)	$ 1,574	$ 46	$ 1,471	$ 56
General liability	2,098	227	2,631	712
Short settlement term	4,540	242	3,593	657
Facility Association	8	-	7	-
	$ 8,220	$ 515	$ 7,702	$ 1,425

Discounting of the provision for unpaid claims and adjusting expenses:

The provision for unpaid claims and adjusting expenses is discounted using a real rate of return of 2% for the accident benefit claims and a discount rate of 4.58% for all other claims.

To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience, and to provide greater comfort that the actuarial liabilities are adequate to pay future benefits, the Company includes provisions for adverse deviations (PFADs) in some assumptions relating to claim development, reinsurance recoveries and future investment income. The PFADs selected are in the mid-range of those recommended by the Canadian Institute of Actuaries.

(in thousands of dollars)

5. Unpaid claims and adjusting expenses (continued):

The following table shows the effects of discounting on unpaid claims and adjusting expenses:

	2003		2002	
	Discounted	Undiscounted	Discounted	Undiscounted
Gross provision	$ 8,220	$ 8,964	$ 7,702	$ 8,203
Reinsurance ceded	515	552	1,425	1,434

The impact on net unpaid claims at the balance sheet date could be an increase of up to $127,000 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, 2003 and 2002 and their impact on claims and adjusting expenses for the two years follow:

	2003	2002
Unpaid claim liabilities, beginning of year, net	$ 6,277	$ 6,935
Decrease in estimated losses and expenses, for losses occurring in prior years	(933)	(765)
Provision for losses and expense on claims occurring in the current year	13,808	10,636
Paid on claims occurring during:		
Current year	(8,565)	(7,228)
Prior years	(2,882)	(3,301)
Unpaid claim liabilities, end of year, net	7,705	6,277
Reinsurers' share	515	1,425
Provision for unpaid claims and adjusting expenses, end of year	$ 8,220	$ 7,702

(in thousands of dollars)

6. Underwriting policy and reinsurance ceded:

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophic or other events that cause unfavourable underwriting results by reinsuring certain levels of risk, in various areas of exposure, with other insurers. Reinsurance ceded does not relieve the Company of primary liability as the originating insurer and failure of reinsurers to honour their obligations could result in losses to the Company.

The Company follows the policy of underwriting and reinsuring contracts of insurance that limits the liability of the Company to $250,000 in the event of a single loss. The Company also has catastrophe reinsurance that has an upper limit of $11,100,000 and which limits the Company's liability to $500,000 in the event of multiple property claims arising from a single occurrence.

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 2003 or 2002. 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.

The following table sets out the impact of reinsurance ceded on premiums earned and claims and adjusting expenses:

	2003	2002
Gross premiums earned	$ 22,870	$ 19,043
Deduction for reinsurance ceded	1,666	1,335
Net premiums earned	$ 21,204	$ 17,708
Gross claims and adjusting expenses	$ 12,859	$ 10,768
Deduction for reinsurance ceded	(16)	897
Claims and adjusting expenses	$ 12,875	$ 9,871

7. 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.

(in thousands of dollars)

8. 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 39.8% (2002 - 42.4%) to income before taxes. Income taxes have been computed as follows:

	2003	2002
Tax at basic rates	$ 256	$ 720
Increase (decrease) in taxes resulting from:		
Permanent differences	(7)	(9)
Change in future statutory rates	(7)	(37)
Large corporation tax	12	5
Provision for income taxes	$ 254	$ 679
Effective rate	40.0 %	40.0 %
The provision for income taxes is comprised of:		
Current income taxes	$ 203	$ 367
Future income taxes	51	312
Provision for income taxes	$ 254	$ 679

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

	2003	2002
Future income tax assets:		
Property and equipment	$ 60	$ 66
Unpaid claims and adjusting expenses	143	144
	$ 203	$ 210
Future income tax liabilities:		
Accrued pension benefit	$ (945)	$ (814)
Investments	(79)	(166)
	(1,024)	(980)
Net future income tax liability	$ (821)	$ (770)

(in thousands of dollars)

9. Contributory defined benefit pension plan:

Plan assets and obligations:

		2003		2002
Fair value of pension plan assets	$	11,419	$	10,467
Accrued pension benefits obligation		7,035		6,086
Surplus		4,384		4,381
Accrued pension benefit		2,546		2,166

During 2003, the Company did not make any contributions to the Pension Plan. The employee contributions during 2003 were $6,000 and benefits paid were $298,000.

The investment return on pension assets and amortization of experience gains, net of current service costs and other pension expenses, totalling $380,000 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 are as follows:

	2003	2002
Discount rate	6.3 %	6.8 %
Expected rate of return on plan assets	7.0 %	7.0 %
Rate of compensation increase	4.0 %	4.0 %

10. Fair values:

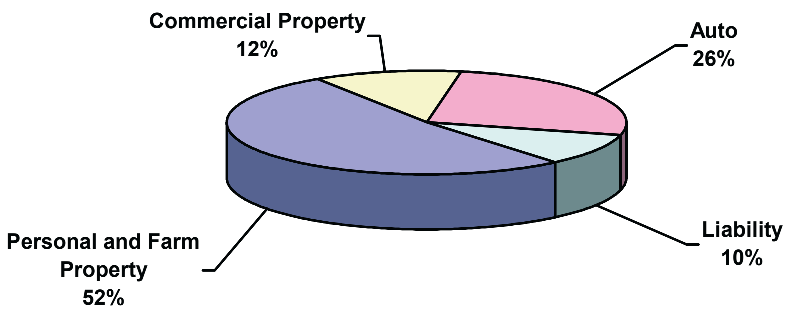
The fair value of financial assets and liabilities, other than investments (note 4) and unpaid claims and adjusting expenses (note 5) approximate their carrying amounts due to the short-term maturity of these financial instruments.

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

NET PREMIUMS WRITTEN
BY CLASS OF BUSINESS

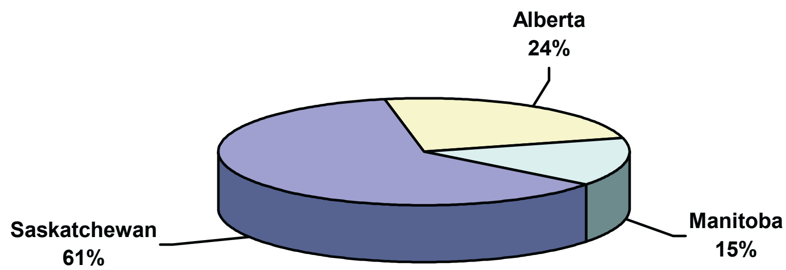
2003

2002

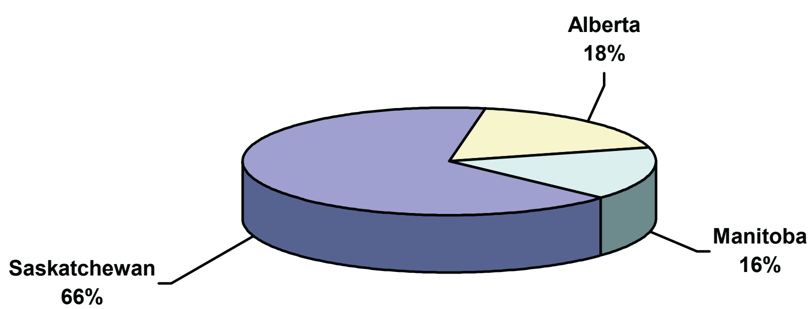


NET PREMIUMS WRITTEN
BY PROVINCE

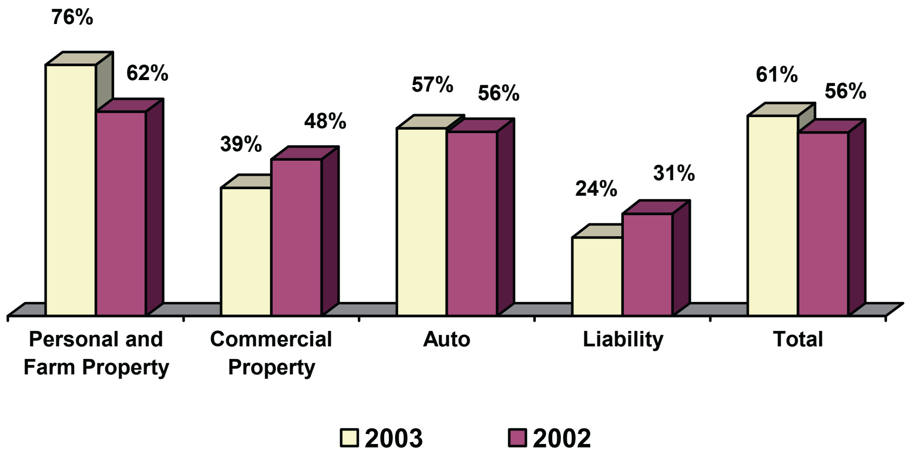
2003



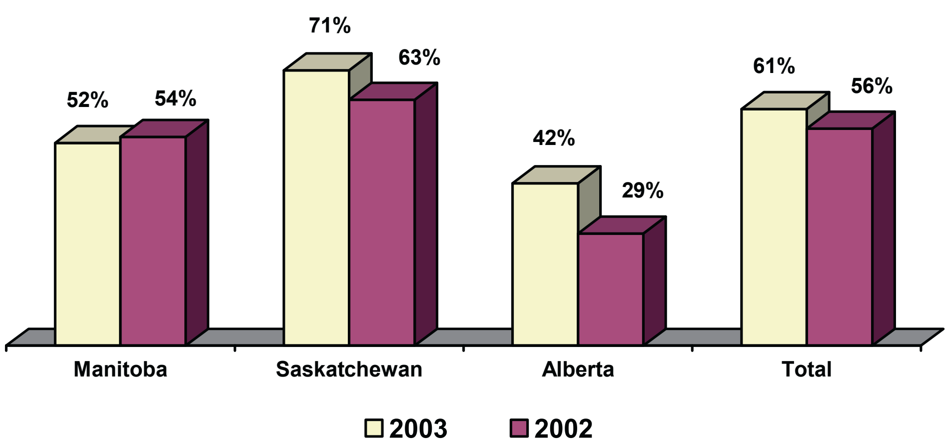
2002



NET LOSS RATIO
BY CLASS OF BUSINESS



NET LOSS RATIO
BY PROVINCE



DIRECTORS

A.G. Ayers	Chairman
R.C. Strayer	Vice Chairman
D.R. Arnold	
B.A. Latrace-Henderson	
D.S. McKercher	
Dr. W.G. Salisbury	
R.W. Trost	
Dr. R.R. Wheaton	
L.M. Wiebe	

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.M. Thiessen, FCIP	Underwriting Manager

MARKETING REPRESENTATIVES

E.M. Baker, CIP, Saskatoon
C.D. Galloway, B.H. Ecol., Calgary
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