

BRANT MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS

For the year ended December 31, 2009



Millard, Rouse & Rosebrugh LLP
Chartered Accountants

BRANT MUTUAL INSURANCE COMPANY

For the year ended December 31, 2009

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AUDITORS' REPORT

To the Policyholders of
Brant Mutual Insurance Company

We have audited the balance sheet of Brant Mutual Insurance Company as at December 31, 2009 and the statements of income, comprehensive income, retained earnings, accumulated other comprehensive income 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 Brant Mutual Insurance Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

January 29, 2010

CHARTERED ACCOUNTANTS
Licensed Public Accountants

BRANT MUTUAL INSURANCE COMPANY

BALANCE SHEET

As at December 31	2009	2008
ASSETS		
Bank	609,184	555,834
Investments (Notes 1 and 5)	9,867,586	8,633,755
Accrued interest receivable	98	295
Premiums receivable	1,688,770	1,545,175
Due from reinsurers and other receivables	524,994	302,964
Reinsurance recoverable on unpaid claims	2,751,269	2,778,517
Deferred policy acquisition expenses	385,466	358,687
Prepaid expenses	90,403	61,516
Income taxes recoverable	186,486	228,587
Property, plant and equipment (Note 6)	843,733	782,856
Future income taxes	157,115	507,668
	17,105,104	15,755,854
LIABILITIES		
Provision for unpaid claims	6,033,317	5,198,955
Unearned premiums	3,086,893	2,851,190
Due to reinsurers	-	50,151
Accounts payable and accrued liabilities	268,877	239,214
F.A.R.M. funds due to Facility Association	195,436	241,072
Premiums paid in advance	41,101	27,750
Refund on premiums	9,981	8,461
	9,635,605	8,616,793
EQUITY		
Retained Earnings	7,901,040	8,154,298
Accumulated other comprehensive income (loss)	(431,541)	(1,015,237)
	7,469,499	7,139,061
	17,105,104	15,755,854

Approved on behalf of the Board of Directors

Director

Director

BRANT MUTUAL INSURANCE COMPANY

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2009	2008
Balance - Beginning of Year	8,154,298	8,012,898
Net Income (Loss)	(253,258)	141,400
Balance - End of Year	7,901,040	8,154,298

STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended December 31	2009	2008
Balance - Beginning of Year	(1,015,237)	(353,079)
Other Comprehensive Income (Loss)	583,696	(662,158)
Balance - End of Year	(431,541)	(1,015,237)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31	2009	2008
Net Income (Loss)	(253,258)	141,400
Other Comprehensive Income (Loss) Available for Sale		
Change in Unrealized Gains and Losses		
- mutual and pooled funds	534,030	(856,872)
Reclassification adjustment for realized (gain) losses included in income	49,666	194,714
Total Other Comprehensive Income (Loss)	583,696	(662,158)
Comprehensive Income (Loss)	330,438	(520,758)

BRANT MUTUAL INSURANCE COMPANY

STATEMENT OF INCOME

For the year ended December 31	2009	2008
Underwriting Operations		
Gross premiums written less rebates and cancellations	6,021,800	5,799,691
Less: Reinsurance ceded	1,293,183	1,409,080
Increase (decrease) in reserve for unearned premiums	235,703	(75,633)
	1,528,886	1,333,447
Net Premiums Earned	4,492,914	4,466,244
Expenses		
Claims Expenses		
Net claims incurred	2,913,004	2,194,248
Net adjusting expenses	468,118	491,139
Commissions	775,807	747,062
	4,156,929	3,432,449
Salaries, Fees and Travelling Expenses - Page 5	584,886	540,474
Loss Prevention Expenses - Page 5	42,166	37,055
General Expenses - Page 5	513,119	495,101
Total Expenses	5,297,100	4,505,079
Underwriting Income (Loss)	(804,186)	(38,835)
Investment and Other Income		
Interest earned	409,566	414,700
Dividends	21,431	1,882
Investment expenses	(27,334)	(27,998)
Write-down of investments to net realizable value	-	(245,782)
Gain (Loss) on sale of investments and capital gains dividends	(58,866)	(19,046)
Other income	95,322	90,451
	440,119	214,207
Income (Loss) Before Income Taxes	(364,067)	175,372
Provision for (Recovery of) income taxes (Note 7)	(110,809)	33,972
Net Income (Loss)	(253,258)	141,400

BRANT MUTUAL INSURANCE COMPANY

SCHEDULE OF EXPENSES

For the year ended December 31	2009	2008
Salaries, Fees and Travelling Expenses		
Salaries	364,283	351,877
Pension and group insurance	58,384	51,920
Professional fees	63,757	60,713
Profit sharing plan	12,879	-
Directors' fees	56,951	45,233
Travel	16,428	19,126
Employment insurance	12,204	11,605
	584,886	540,474
Loss Prevention Expenses		
Inspection of risks	22,987	17,080
Investigations	19,179	19,975
	42,166	37,055
General Expenses		
Building overhead	54,097	43,886
Printing, stationery, office supplies and sundry	42,421	47,115
Conventions and meetings	50,373	55,632
Advertising	40,500	39,710
Amortization - equipment	28,740	31,795
Postage and telephone	30,931	30,765
Dues, subscriptions and memberships	41,042	40,158
Computer software	8,259	7,012
Amortization - building	10,693	10,519
Licence and filing fees	19,340	17,782
Insurance	37,409	20,476
Corporation premium tax	12,052	12,022
Staff training	3,252	4,406
Bank charges	(9,237)	(6,047)
Equipment repairs	132,494	129,389
Donations	13,003	10,950
Bad debt expense (recovery)	(3,684)	(1,331)
Collections fees	1,434	862
	513,119	495,101

BRANT MUTUAL INSURANCE COMPANY

STATEMENT OF CASH FLOWS

For the year ended December 31	2009	2008
Cash Flows From Operating Activities		
Net Income (Loss)	(253,258)	141,400
Adjustments to convert income to a cash basis:		
Increase (decrease) in provision for unpaid claims	834,362	(1,700,494)
(Increase) decrease in reinsurance recoverable on unpaid claims	27,248	1,357,855
Increase (decrease) in unearned premiums	235,703	(75,633)
Increase (decrease) in accounts payable, accrued liabilities and other operating liabilities	(51,253)	(272,207)
Amortization of building and other assets	39,433	42,314
Decrease (increase) in receivables and other operating assets	(352,214)	149,662
Decrease (increase) in deferred policy acquisition expenses	(26,779)	(8,202)
(Increase) decrease in future income taxes asset related to operations	42,263	7,704
Write-down of investments to net realizable value	-	245,782
(Gain) loss on sale of investments	68,740	28,900
Cash Provided From Operating Activities	564,245	(82,919)
Cash Flows From Investing Activities		
Proceeds on sale of investments	610,679	1,227,226
Purchase of investments	(1,021,264)	(1,065,020)
Purchase of property, plant and equipment	(100,310)	(46,029)
	(510,895)	116,177
Net Increase in Cash and Cash Equivalents	53,350	33,258
Opening Cash and Cash Equivalents	555,834	522,576
Closing Cash and Cash Equivalents	609,184	555,834

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

Brant Mutual Insurance Company is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property and automobile insurance in Ontario.

1. CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a publicly accountable enterprise, the company will be required to prepare its December 31, 2011 financial statements including comparative information in compliance with IFRS.

IFRS uses a conceptual framework similar to Canadian GAAP, but there could be significant differences in recognition, measurement and disclosures. The company is currently in the process of assessing the differences between current accounting policies and those provided by IFRS, as well as the alternatives available on adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the company conform with those generally accepted in Canada and comply with the requirements for filing with the Financial Services Commission of Ontario.

(a) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations.

(b) Financial Assets

Available for Sale (AFS) Financial Assets

AFS financial assets with quoted prices in an active market are carried at fair value on the balance sheet from the settlement date. Any changes in fair values are recorded, net of income taxes, in OCI until the financial asset is disposed of or has become other than temporarily impaired. When the asset is disposed of, or has become impaired, the accumulated fair value adjustments recognized in AOCI are transferred to the income statement and, accordingly, a corresponding adjustment (net of income taxes) is made to OCI. A provision for impairment for equity instruments and debt securities classified as AFS is established when there is objective evidence that the investment is impaired and the impairment is other than temporary. A provision for impairment for loans and receivables classified as AFS is established when there is objective evidence that the company will not be able to collect all amounts due according to their original terms. Equity investments that are classified as AFS and do not have a quoted price in an active market are recorded at cost.

The company has classified all stocks, mutual and pooled funds as AFS.

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Assets (continued)

Held to Maturity (HTM) Financial Assets

HTM financial assets have fixed or determinable payments and management has the positive intention and ability to hold them to maturity. These assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. A provision for impairment of debt securities classified as HTM is established when there is objective evidence of impairment and the impairment is other than temporary. The investment will be written down to its fair value.

Held for Trading (HFT) Financial Assets and Liabilities

HFT financial assets and liabilities are carried at fair value on the balance sheet from the settlement date and changes in fair values are recorded in net income. HFT financial assets and liabilities are purchased or incurred with the intention of generating profits in the near terms (classified as HFT) or are designated as such by the company.

The company has classified cash as HFT.

Loans and Receivables

Financial assets classified as loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

The company has classified accounts receivable as loans and receivables.

Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified or designated as HFT. For other financial instruments, transactions costs are expensed on initial recognition.

(c) Fair Value

The fair value of financial instruments, such as accounts receivable, accounts payable and accrued liabilities and customer deposits are determined to approximate their recorded value due to their short term maturity.

The fair value of mutual and pooled funds and marketable securities is based on quoted market values as at year end.

(d) Premiums Earned and Deferred Policy Acquisition Expenses

Insurance premiums are included in income on an annual pro-rata basis over the life of the policies. Acquisition expenses related to unearned premiums, which expenses comprise 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 acquisition expenses limits the amount of the deferral to its realizable value by giving consideration to claims and expenses expected to be incurred as the premiums are earned.

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs including investigation and the projected final settlements of claims incurred prior to the balance sheet date. 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 claims in the current period.

(f) Reinsurance Ceded

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts. Unearned premiums on business ceded are recorded as deductions from unearned premiums. Estimates of amounts recoverable from the reinsurer on unpaid claims and adjustment expenses are recorded as an asset.

A contingent liability exists with respect to reinsurance ceded which could become a liability of the company in the event that the reinsurer might be unable to meet its obligations under the reinsurance agreements.

(g) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost. Amortization is provided using the straight-line method at the following rates reflecting the estimated useful lives of the assets:

Real estate	2.5% over a 40 year term
Office equipment	10% over a 10 year term
Computer equipment	20% over a 5 year term

(h) Future Income Taxes

The company follows the liability method of accounting for income taxes. Under this method, future income tax assets are recognized based on the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax basis, using the enacted income tax rates for the years in which the differences are expected to reverse.

(i) Facility Association

As a member of the Facility Association, the company records its proportionate share of the Association's revenue, expenses, unearned premiums and provision for unpaid claims.

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. UNDERWRITING POLICY

The company follows the policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the company to a maximum amount on any one claim of \$200,000 for property claims and \$150,000 for liability and automobile claims, plus 10% of the next \$800,000 in the event of a property claim, and \$850,000 in the event of a liability or automobile claim.

In addition, the company has obtained reinsurance having an unlimited upper amount, which limits the company's liability in the event of a series of claims arising out of a single occurrence.

4. REINSURANCE CEDED

The company ceded reinsurance to another insurer in order to limit the maximum loss through the spreading of risks. Reinsurance ceded does not relieve the company of primary liability as the originating insurer.

All reinsurance is placed with Farm Mutual Reinsurance Plan Inc.

5. INVESTMENTS

The fair value of the company's investment portfolio by financial instrument classification at December 31 is as follows:

	2009		2008	
	Classified as AFS	Total Carrying Value	Classified as AFS	Total Carrying Value
Debt securities	32,733	32,733	32,920	32,920
Equities - preferred and common shares	18,656	18,656	18,656	18,656
Mutual and pooled funds	9,816,197	9,816,197	8,582,179	8,582,179
Total investments	9,867,586	9,867,586	8,633,755	8,633,755

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. INVESTMENTS (continued)

(a) Stocks and Other Invested Assets

	2009			2008		
	Cost amount	Fair value carrying amount	Difference	Cost amount	Fair value carrying amount	Difference
Stocks						
Canadian preferred	18,155	18,155	-	18,155	18,155	-
Canadian common	501	501	-	501	501	-
Pooled funds	10,413,485	9,816,197	(597,288)	10,071,453	8,582,179	(1,489,274)
Total stocks and other invested assets	10,432,141	9,834,853	(597,288)	10,090,109	8,600,835	(1,489,274)

Investment Income for the year ended December 31, 2009 was derived from the following:

	2009	2008
AFS Securities - dividend income	21,431	1,882
- interest income	409,566	414,700
- capital gains distributions	9,874	9,855
Gain (Loss) on sale of investments	(68,740)	(28,901)
Write-down of investments to net realizable value	-	(245,782)
	372,131	151,754

The effective investment yield for 2009 is 4.13% (2008 - 1.99%).

(b) Disclosures Relating to Fair Value Measurements

In compliance with CICA 3862, the company has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: - Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: - Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: - Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the company's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. INVESTMENTS (continued)

(b) Disclosures Relating to Fair Value Measurements (continued)

Disclosures of fair value are not required:

- i) when the carrying amount is a reasonable approximation of fair value, such as short term receivables and payables, and
- ii) for investments in equity instruments that do not have a quoted market value in an active market and are carried at cost (other than instruments classified as HFT).

	Level 1	Level 2	Total
Assets - Cash and cash equivalents	609,184	-	609,184
Farm Mutual Pooled Funds - Canadian Fixed Income	-	2,725,007	2,725,007
Farm Mutual Pooled Funds - Canadian Equity	-	1,270,671	1,270,671
CCL Pooled Funds	-	5,820,519	5,820,519
Total assets measured at fair value	609,184	9,816,197	10,425,381

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2009	2008
Land	495,252	-	495,252	495,252
Building	419,488	252,086	167,402	177,892
Building - construction in progress	89,496	-	89,496	-
Parking lot	8,111	2,840	5,271	5,473
Office equipment	291,745	229,616	62,129	67,877
Computer equipment	349,100	324,917	24,183	36,362
	1,653,192	809,459	843,733	782,856

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

7. INCOME TAXES

The provision for current income taxes reported differs from the amount computed by applying the Canadian Statutory rate to income before income taxes for the following reasons:

	2009	2008
Current income tax expense (recovery)		
before under-noted items	(146,974)	28,936
Tax Adjustments - Non-deductible and other items	43,122	(2,668)
Current income tax expense (recovery)	(103,852)	26,268
Future income tax expense (benefit)	(6,957)	7,704
Provision for (Recovery of) Income Taxes	(110,809)	33,972

During the year the company made income tax payments totalling \$38,278 (2008 - \$247,710).

Income taxes included in OCI:

The amounts included in the statement of comprehensive income as at December 31, 2009 are shown net of the following, tax expense (benefit):

	2009	2008
Tax impact on:		
Change in unrealized gains and losses - mutual and pooled funds	289,213	(403,218)
Losses realized for tax purposes	49,220	-
Reclassification adjustment for realized (gain) losses included in income	19,076	90,916
Total income tax expense (benefit) included in OCI	357,509	(312,302)

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

The principal financial instruments from which financial instrument risk arises are trade accounts receivable, investments and accounts payable.

Risk Management

The Company's management and Board of Directors identify and address risks facing the Company. There has been no significant change in the Company's risk management framework.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause a financial loss for the Company. The Company remains exposed to credit risk primarily through amounts receivable from policyholders and reinsurers and its investment portfolio.

The Company's credit exposure to any one individual policyholder is not material.

The Company monitors the financial condition of its reinsurer, Farm Mutual Reinsurance Plan Inc.

The majority of the Company's investment portfolio is invested in well-established, active and liquid markets. The Company's investment policy is to invest primarily in pooled funds invested in fixed income and marketable securities. Management monitors pooled fund composition and performance on a regular basis.

The Company's maximum exposure to credit risk for investments is the fair value carrying amount. The risk of significant credit loss for accounts receivable is considered remote.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet cash flow obligations as they come due.

The liquidity requirements of the Company's business have been met primarily by funds generated from operations, and income and other returns received on securities. Cash provided from these sources is used primarily for claims and claim adjustment expenses payments and operating expenses. The timing and amount of catastrophe claims are inherently unpredictable and may create increased liquidity requirements. To manage its cash flow requirements, the Company maintains its invested assets in liquid securities.

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

(b) Liquidity Risk (continued)

2009	No fixed	< 1 year	1-5 years	>5 years	Total
	maturity				
Preferred shares	18,155	-	-	-	18,155
Common shares	501	-	-	-	501
Pooled funds	9,816,197	-	-	-	9,815,197
Total	9,834,853	-	-	-	9,834,853
Percentage of Total	100 %	0 %	0 %	0 %	100%

2008	No fixed	< 1 year	1-5 years	>5 years	Total
	maturity				
Preferred shares	18,155	-	-	-	18,155
Common shares	501	-	-	-	501
Pooled funds	8,582,179	-	-	-	8,582,179
Total	8,600,835	-	-	-	8,600,835
Percentage of Total	100 %	0 %	0 %	0 %	100%

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange values.

The Company is exposed to currency risk through its holdings in US equity and international equity pooled funds. Management monitors its foreign currency exposure regularly and adjusts holdings when deemed necessary.

It is estimated that an immediate hypothetical 1% change in the value of foreign currency would result in an unrealized loss of \$5,267 at December 31, 2009 (2008 - \$3,399).

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

(c) (continued)

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not significantly exposed to interest rate risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is exposed to other price risk through its holdings in common shares, preferred shares, mutual funds and pooled funds that are subject to changes in market prices. Fluctuations in the market value of these investments affect the carrying value of these securities causing changes in realized and unrealized gains and losses. Management monitors the ongoing performance of mutual and pooled funds monthly and ensures that investments are diversified by sector and geographically.

The Company's equity investments are concentrated as follows:

	2009	2008
CCL Fixed Income Pooled Fund	3,448,028	2,972,201
CLL Short Term Bond Pooled Fund	902,380	1,113,300
CCL Income Pooled Fund	547,815	315,785
CCL Canadian Equity Pooled Fund	-	149,287
CCL Canadian Value Pooled Fund	395,591	143,720
CCL US Equity Pooled Funds	261,012	152,181
CCL International Equity Pooled Funds	265,693	187,756
Farm Mutual Canadian Equity Pooled Fund	1,270,671	979,583
Farm Mutual Canadian Fixed Income Pooled Fund	2,725,007	2,568,366
	9,816,197	8,582,179

It is estimated that an immediate hypothetical 5% decrease in market value of pooled funds would result in a unrealized loss of \$490,810 at December 31, 2009 (2008 - \$429,109).

BRANT MUTUAL INSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

9. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are to maintain financial stability for policyholders and meet regulatory requirements. Mutual insurance companies are regulated by the provisions of the Insurance Companies Act (ICA) and the Financial Services Commission of Ontario (FSCO).

The Company has a capital management process in place to monitor its capital. Reinsurance placed with Farm Mutual Reinsurance Plan and the Farm Mutual Guarantee Fund serve to protect capital and limit losses on any one claim (see Note 3). The Company meets its objectives for managing capital through management and Board monitoring and oversight of regulatory capital measures.

The Company's capital consists of retained earnings and accumulated other comprehensive income (loss). The Company's capital structure at December 31 was as follows:

	2009	2008
Retained earnings	7,901,040	8,154,298
Accumulated other comprehensive income (loss)	(431,541)	(1,015,237)
Total Capital	7,469,499	7,139,061

The Company is subject to an annual examination by the Financial Examination Committee, the results of which are reported to the Superintendent of Financial Institutions for Ontario. In its most recent examination report, the company was in compliance with regulatory expectations.

10. CONTINGENCIES

The company has been named in two statements of claim. As at the date of the financial statements, the company's liability, if any, has not been determined. The company has made a counter claim in one of the matters.

11. COMMITMENT

The company has committed to the construction of a new office building in 2010. The estimated cost of constructing the building is \$1,500,000.