



Co-operators General Insurance Company

Unaudited Condensed Consolidated Interim Financial Statements

For the first quarter ended March 31, 2020

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED BALANCE SHEETS
(unaudited)

As at

	March 31, 2020	December 31, 2019
(in thousands of Canadian dollars)	\$	\$
Assets		
Cash and cash equivalents	90,504	97,367
Invested assets including securities on loan (note 5)	5,077,885	5,327,160
Premiums due	1,158,139	1,250,904
Income taxes recoverable	50,977	77
Reinsurance ceded contracts (note 7)	168,756	163,667
Deferred acquisition expenses	299,538	313,135
Deferred income taxes	119,475	127,220
Intangible assets (note 9)	103,976	103,995
Right-of-use-assets	28,670	29,165
Other assets (note 10)	69,913	75,280
	7,167,833	7,487,970
Liabilities		
Accounts payable and accrued charges	216,631	324,665
Income taxes payable	-	74,147
Insurance contracts (note 6)	4,862,349	4,909,213
Retirement benefit obligations (note 12)	118,715	128,661
Deferred income taxes	7,353	7,544
Lease liabilities	29,558	29,803
Provisions and other liabilities (note 11)	183,823	166,612
	5,418,429	5,640,645
Shareholders' equity		
Share capital	546,193	544,779
Contributed capital	100,874	100,874
Retained earnings	979,268	1,029,368
Accumulated other comprehensive income	123,069	172,304
	1,749,404	1,847,325
	7,167,833	7,487,970

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

3 months ended March 31, 2020 (in thousands of Canadian dollars)	Share capital \$	Contributed capital \$	Retained earnings \$	Accumulated other comprehensive income \$	Total shareholders' equity \$
Balance, beginning of period	544,779	100,874	1,029,368	172,304	1,847,325
Net loss	-	-	(48,850)	-	(48,850)
Other comprehensive loss	-	-	-	(49,235)	(49,235)
Total comprehensive loss	-	-	(48,850)	(49,235)	(98,085)
Staff share loan plan	385	-	-	-	385
Preference shares issued	2,529	-	-	-	2,529
Preference shares redeemed	(1,500)	-	-	-	(1,500)
Dividends declared (note 14)	-	-	(1,250)	-	(1,250)
Balance, end of period	546,193	100,874	979,268	123,069	1,749,404

3 months ended March 31, 2019 (in thousands of Canadian dollars)	Share capital \$	Contributed capital \$	Retained earnings \$	Accumulated other comprehensive income \$	Total shareholders' equity \$
Balance, beginning of period	413,452	100,874	1,045,180	90,437	1,649,943
Net income	-	-	21,835	-	21,835
Other comprehensive income	-	-	-	95,348	95,348
Total comprehensive income	-	-	21,835	95,348	117,183
Staff share loan plan	701	-	-	-	701
Preference shares issued	2,138	-	-	-	2,138
Preference shares redeemed	(4,993)	-	(1,496)	-	(6,489)
Dividends declared (note 14)	-	-	(1,250)	-	(1,250)
Balance, end of period	411,298	100,874	1,064,269	185,785	1,762,226

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

	3 months ended March 31, 2020 \$	3 months ended March 31, 2019 \$
(in thousands of Canadian dollars except for earnings per share and weighted average number of common shares)		
Income		
Net earned premium (note 13)	872,493	763,028
Net investment income and gains (losses) (note 5)	(100,314)	76,939
Fees and other income	2,011	1,693
	774,190	841,660
Expenses		
Claims and benefits	592,144	604,062
Ceded claims and benefits	(26,096)	(36,943)
Premium and other taxes	30,143	25,945
Commissions and advisor compensation	166,636	168,388
Ceded commissions	(23,914)	(34,510)
General expenses	98,567	88,092
	837,480	815,034
Income (loss) before income taxes	(63,290)	26,626
Income tax expense (recovery) (note 8)	(14,440)	4,791
Net income (loss)	(48,850)	21,835
Earnings (loss) per share	(1.88)	0.84
Weighted average number of common shares	26,620	24,500

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

	3 months ended March 31, 2020 \$	3 months ended March 31, 2019 \$
(in thousands of Canadian dollars)		
Net income (loss)	(48,850)	21,835
Other comprehensive income (loss)		
Items that may be reclassified subsequently to the statement of income:		
Net unrealized gains (losses) on available-for-sale financial assets	(85,899)	159,507
Net reclassification adjustment for (gains) losses included in net income	6,035	(28,852)
Items that may be reclassified before income taxes	(79,864)	130,655
Income tax expense (recovery) relating to items that may be reclassified	(22,642)	35,307
	(57,222)	95,348
Items that will not be reclassified to the consolidated statement of income:		
Remeasurement of the retirement benefit obligations	11,492	-
Income tax expense relating to items that will not be reclassified	3,505	-
	7,987	-
Other comprehensive income (loss)	(49,235)	95,348
Comprehensive income (loss)	(98,085)	117,183

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	3 months ended March 31, 2020	3 months ended March 31, 2019
(in thousands of Canadian dollars)	\$	\$
Operating activities		
Net income (loss)	(48,850)	21,835
Items not requiring the use of cash (note 15)	150,772	(28,422)
Changes in non-cash operating components (note 15)	(142,756)	53,890
Cash provided by (used in) operating activities	(40,834)	47,303
Investing activities		
Purchases and advances of:		
Invested assets	(1,258,550)	(1,245,412)
Intangible assets	(793)	(5,244)
Property and equipment	(395)	(1,993)
Sale and redemption of:		
Invested assets	1,301,187	1,276,377
Cash provided by investing activities	41,449	23,728
Financing activities		
Share capital - preference shares issued	2,529	2,138
Share capital - preference shares redeemed	(1,500)	(6,489)
Dividends paid (note 14)	(3,952)	(3,970)
Lease liabilities paid	(2,645)	(2,623)
Cash used in financing activities	(5,568)	(10,944)
Net increase (decrease) in cash and cash equivalents, net of payments in transit	(4,953)	60,087
Cash and cash equivalents, net of payments in transit, beginning of period	54,249	8,644
Cash and cash equivalents, net of payments in transit, end of period	49,296	68,731
Cash	76,555	96,900
Cash equivalents	13,949	6,969
Net payments in transit, included in accounts payable and accrued charges	(41,208)	(35,138)
Cash and cash equivalents, net of payments in transit, end of period	49,296	68,731

See accompanying notes to condensed consolidated interim financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

1. Nature of operations

Unless otherwise noted or the context otherwise indicates, in these notes “Company” refers to the Consolidated Co-operators General Insurance Company. CGIC refers to the Non-Consolidated Co-operators General Insurance Company.

The Company is comprised of CGIC and its wholly owned subsidiaries: The Sovereign General Insurance Company (Sovereign), COSECO Insurance Company (COSECO), CUMIS General Insurance Company (CUMIS General), Co-operators Investment Limited Partnership (CILP), Co-operators Strategic Growth Corporation (CSGC) and Co-operators Insurance Agencies Limited (CIAL). 100% of the voting rights attached to all the outstanding voting shares or partnership interests of each of Sovereign, COSECO, CUMIS General, CILP, CSGC and CIAL are held by CGIC.

The registered office of the Company is 130 Macdonell Street, Guelph, Ontario. The Company is domiciled in Canada and is incorporated under the Insurance Companies Act (Canada). These condensed consolidated interim financial statements of the Company for the three months ended March 31, 2020 were authorized for issue in accordance with a resolution of the Audit Committee of the Board of Directors on April 28, 2020.

CGIC and certain of its subsidiaries are licensed to write insurance in all provinces and territories in Canada. With the exception of CUMIS General, CGIC and certain of its subsidiaries are licensed to write all classes of insurance, other than life. CUMIS General is licensed to write property and casualty as well as accident and sickness insurance. AZGA Service Canada Inc. (AZGA Canada), an associate of Co-operators Life Insurance Company (CLIC), a company under common control, acts as Managing General Underwriter (MGU) with respect to the travel insurance underwritten by CUMIS General. CGIC and certain of its subsidiaries are regulated by the federal Insurance Companies Act and the various provincial insurance acts. The Company must comply with the accounting and reporting requirements of its regulator the Office of the Superintendent of Financial Institutions, Canada (OSFI).

The Company’s common shares are 100% owned by Co-operators Financial Services Limited (CFSL), which in turn is owned 100% by The Co-operators Group Limited (CGL). The Class E preference shares, Series C are traded on the Toronto Stock Exchange under the symbol CCS.PR.C.

2. Summary of significant accounting policies

Basis of preparation and statement of compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting”.

The consolidated balance sheets are presented on a non-classified basis. Assets expected to be realized and liabilities expected to be settled within the Company’s normal operating cycle of one year are typically considered to be current. Certain balances are comprised of both current and non-current amounts.

Seasonality

The property and casualty (P&C) insurance business is seasonal in nature. Premiums are generally written in annual renewal cycles, often in the second quarter each year. Weather conditions can vary significantly between quarters, with extreme weather conditions historically having an impact on the first and third quarters.

CO-OPERATORS GENERAL INSURANCE COMPANY

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

Segmented information

The Company's results of operations are reviewed by senior management and the Board of Directors based on one reporting and operating segment, P&C operations.

Significant accounting policies

These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies followed in these condensed consolidated interim financial statements are consistent as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2019.

The Company has the following updates to information provided in the consolidated financial statements ended December 31, 2019 about the standards issued but not yet effective.

IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments"

In March 2020, the International Accounting Standards Board voted in favour of deferring the effective date of IFRS 17 from annual reporting periods beginning on or after January 1, 2022 to January 1, 2023 and extended the temporary exemption for qualifying insurers regarding application of IFRS 9. The Company qualifies for temporary exemption; thus, IFRS 9 is expected to be effective for annual periods beginning on or after January 1, 2023. The Company is currently evaluating the impact that these standards will have on its consolidated financial statements.

3. Significant events in the current reporting period

An outbreak of a novel strain of coronavirus, identified as "COVID-19", was declared a global pandemic by the World Health Organization on March 11, 2020. In response, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures have disrupted the activities of many entities and have led to significant volatility in the global markets. The Company has provided additional disclosure in the notes to these condensed consolidated interim financial statements where the impact of COVID-19 on the amounts presented is significant. Although the Company's operations are considered to be an essential business under the laws of the provinces where it operates, the Company continues to monitor and actively manage the developing impacts from COVID-19, including but not limited to, the potential future effects on its invested asset portfolio and its insurance contract liabilities, and will continue to assess impacts to the Company's operations, going concern assumption, and the value of assets and liabilities reported in these statements.

Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the consolidated balance sheet date and the reported amounts of revenues and expenses during the year. The preparation of the consolidated financial statements also requires management to exercise its judgment in the process of applying the Company's accounting policies. The Company's most recent set of annual consolidated financial statements provide a summary of the significant estimates and assumptions used within these condensed consolidated interim financial statements, except where specific updates have been disclosed in the notes to assess the impact of COVID-19 for the respective account balances.

CO-OPERATORS GENERAL INSURANCE COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

4. Business combinations under common control

On May 27, 2019, CGIC entered into an agreement with a company under common control, H.B Group Insurance Management Ltd. (HB), to acquire a line of business that provides brokerage services for group home and auto insurance across Canada. Both parties to the agreement are owned 100% by CFSL. The Company has applied the predecessor accounting method and recorded the acquisition at the carrying values of the net assets. The difference between the carrying value and the consideration exchanged was recorded through shareholders' equity in the Company's consolidated financial statements.

The fair value of the consideration exchanged of \$130,002 was funded by CGIC through the issuance of common shares to its parent, CFSL. The carrying value of net assets acquired was \$nil. The acquisition provides CGIC with direct access to HB's customer base.

5. Invested assets and net investment income and gains (losses)

a) Invested assets

	Fair value			Amortized cost		Carrying value
	AFS	Classified FVTPL	Designated FVTPL	Loans and receivables	Other	Total
March 31, 2020	\$	\$	\$	\$	\$	\$
Bonds						
Federal	774,171	-	33,527	-	-	807,698
Provincial	1,082,229	-	36,952	-	-	1,119,181
Municipal	13,741	-	-	-	-	13,741
Corporate	791,909	-	57,331	-	345	849,585
Asset-backed securities	88,357	-	9,053	-	-	97,410
	2,750,407	-	136,863	-	345	2,887,615
Stocks						
Canadian common	615,663	-	-	-	-	615,663
Canadian preferred	-	-	330,341	-	-	330,341
U.S. equities	154,467	-	-	-	-	154,467
	770,130	-	330,341	-	-	1,100,471
Short-term investments	104,543	-	-	-	6,583	111,126
Limited partnerships	224,054	-	-	-	-	224,054
Pooled funds	193,551	-	-	-	-	193,551
Foreign currency forward contracts	-	1,399	-	-	-	1,399
Mortgages	-	-	-	525,427	-	525,427
Other investments	-	-	-	9,844	-	9,844
Investment income due and accrued	-	-	-	24,398	-	24,398
Total invested assets	4,042,685	1,399	467,204	559,669	6,928	5,077,885

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(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

	Fair Value			Amortized Cost		Carrying Value
	AFS	Classified FVTPL	Designated FVTPL	Loans and receivables	Other	Total
December 31, 2019	\$	\$	\$	\$	\$	\$
Bonds						
Federal	840,643	-	38,085	-	-	878,728
Provincial	1,045,533	-	36,386	-	-	1,081,919
Municipal	10,489	-	-	-	-	10,489
Corporate	814,994	-	57,205	-	348	872,547
Asset-backed securities	73,011	-	9,053	-	-	82,064
	2,784,670	-	140,729	-	348	2,925,747
Stocks						
Canadian common	744,208	-	-	-	-	744,208
Canadian preferred	-	-	430,025	-	-	430,025
U.S. equities	184,964	-	-	-	-	184,964
	929,172	-	430,025	-	-	1,359,197
Short-term investments	75,944	-	-	-	14,874	90,818
Limited partnerships	188,358	-	-	-	-	188,358
Pooled funds	195,510	-	-	-	-	195,510
Foreign currency forward contracts	-	4,882	-	-	-	4,882
Mortgages	-	-	-	521,887	-	521,887
Other investments	-	-	-	9,867	-	9,867
Investment income due and accrued	-	-	-	30,894	-	30,894
Total invested assets	4,173,654	4,882	570,754	562,648	15,222	5,327,160

The value of the securities on loan included in invested assets above consists of \$82,834 (2019 - \$75,726) in stocks and \$600,496 (2019 - \$715,678) in bonds.

b) Investments - measured at fair value

The Company is responsible for determining the fair value of its investment portfolio by utilizing market-driven measurements obtained from active markets where available, by considering other observable and unobservable inputs and by employing valuation techniques that make use of current market data. Assets and liabilities recorded at fair value in the consolidated balance sheets are measured and classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the significance and reliability of the inputs to the respective valuation techniques. The input levels are defined as follows:

Level 1 - Quoted prices

Represents unadjusted quoted prices for identical instruments exchanged in active markets. The fair value is determined based on quoted prices in active markets obtained from external pricing sources.

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Level 2 - Significant other observable inputs

Includes directly or indirectly observable inputs other than quoted prices for identical instruments exchanged in active markets. These inputs include quoted prices for similar instruments exchanged in active markets; quoted prices for identical or similar instruments exchanged in inactive markets; inputs other than quoted prices that are observable for the instruments, such as interest rates and yield curves, volatilities, prepayment spreads, credit risks and default rates where available; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Consistent with market participants, the Company determines the fair values of foreign exchange forward contracts by using a discounted cash flow valuation technique using observable market data.

Level 3 - Significant unobservable inputs

Includes inputs that are not based on observable market data. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these assets or liabilities or related observable inputs that can be corroborated at the measurement date. Unobservable inputs require significant management judgement or estimation to make certain projections and assumptions about the information that would be used by market participants in pricing assets or liabilities. To verify pricing, the Company assesses the reasonability of the fair values by comparing to industry accepted valuation models, to movements in credit spreads and to recent transaction prices for similar assets where available.

The following summarizes how fair values were determined for recurring measurements as at:

	Level 1 - Quoted prices \$	Level 2 - Significant other observable inputs \$	Level 3 - Significant unobservable inputs \$	Total fair value \$
March 31, 2020				
AFS				
Bonds	-	2,750,407	-	2,750,407
Stocks	768,250	-	-	768,250
Short-term investments	-	104,543	-	104,543
Limited partnerships	-	-	224,054	224,054
Pooled funds	-	193,551	-	193,551
	768,250	3,048,501	224,054	4,040,805
FVTPL				
Bonds	-	136,863	-	136,863
Stocks	330,341	-	-	330,341
Foreign currency forward contracts	-	1,399	-	1,399
	330,341	138,262	-	468,603
Total invested assets at fair value	1,098,591	3,186,763	224,054	4,509,408
FVTPL				
Foreign currency forward contracts (note 11)	-	21,323	-	21,323
Total financial liabilities at fair value	-	21,323	-	21,323

CO-OPERATORS GENERAL INSURANCE COMPANY
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(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

	Level 1 - Quoted prices \$	Level 2 - Significant other observable inputs \$	Level 3 - Significant unobservable inputs \$	Total fair value \$
December 31, 2019				
AFS				
Bonds	-	2,784,670	-	2,784,670
Stocks	927,292	-	-	927,292
Short-term investments	-	75,944	-	75,944
Limited partnerships	-	-	188,358	188,358
Pooled funds	-	195,510	-	195,510
	927,292	3,056,124	188,358	4,171,774
FVTPL				
Bonds	-	140,729	-	140,729
Stocks	430,025	-	-	430,025
Foreign currency forward contracts	-	4,882	-	4,882
	430,025	145,611	-	575,636
Total invested assets at fair value	1,357,317	3,201,735	188,358	4,747,410
FVTPL				
Foreign currency forward contracts (note 11)	-	71	-	71
Total financial liabilities at fair value	-	71	-	71

Excluded from these totals are available-for-sale (AFS) investments of \$1,880 (2019 - \$1,880) in shares of other co-operative entities which are carried at cost as they do not have quoted market prices in active markets and their fair value cannot be measured reliably.

The following table is a reconciliation of the Level 3 fair value measurements.

	Limited partnerships \$
3 months ended March 31, 2020	
Balance, beginning of period	188,358
Purchases	18,770
Sales and redemptions	(1,548)
Gain	
Unrealized included in OCI	18,474
Balance, end of period	224,054

No investments were transferred between levels during the period (2019 - \$nil).

The investments measured at fair value and classified as Level 3 as at March 31, 2020 are limited partnerships, which represent units of third-party managed private equity funds (Funds). The fair values of limited partnership investments are based on the net asset value (NAV) from each of the individual Fund's most recent quarterly or annual financial statements. Limited partnership NAV's are derived by valuation techniques employed by each Fund's management using unobservable inputs. The Company assesses the NAV disclosed in each Fund's most recent financial statement using independent analytical procedures to ensure the amount is a reasonable representation of fair value. The Company does not assess the sensitivity of the fair value of limited partnerships because the inputs used by each fund manager to determine the NAV are unobservable and not readily available.

CO-OPERATORS GENERAL INSURANCE COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

The fair value of mortgages at March 31, 2020 is \$527,118 (December 31, 2019 - \$526,119). Mortgages measured at fair value, for disclosure purposes only, are classified as Level 3. The fair value of the mortgages has been calculated by discounting the expected cash flows of each instrument. The discount rate is determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the value of the properties that the mortgage is secured by and other indicators of creditworthiness.

c) Net investment income and gains (losses)

	3 months ended March 31, 2020 \$	3 months ended March 31, 2019 \$
Interest income	24,801	23,676
Dividend income	13,313	15,448
Investment expense	(1,986)	(1,549)
Net investment income	36,128	37,575
Net realized gains	5,245	28,334
Net foreign exchange gains (losses)	(23,198)	5,111
Change in fair value (note 15)	(100,747)	7,315
Impairment losses (note 15)	(17,742)	(1,396)
Net investment gains (losses)	(136,442)	39,364
Net investment income and gains (losses)	(100,314)	76,939

In accordance with the Company's policies regarding impairment of financial assets as disclosed in the most recent set of annual consolidated financial statements, and considering the impact of COVID-19 on the economic environment, the Company has determined that the decline in equity markets and credit rating of issuers has resulted in an impairment loss of \$17,742 (March 31, 2019 - \$1,396) in the Company's AFS invested asset portfolio this period. The Company continues to closely monitor and actively manage its financial risk management policies as outlined in the Company's most recent set of annual consolidated financial statements.

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(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

6. Insurance contracts

Insurance contracts are comprised of the following balances:

	As at March 31, 2020 \$	As at December 31, 2019 \$
Undiscounted unpaid claims and adjustment expenses	2,895,466	2,853,686
Effect of time value of money	(138,195)	(141,929)
Provisions for adverse deviation (PFADs)	288,106	276,966
Effect of discounting	149,911	135,037
Discounted unpaid claims and adjustment expenses	3,045,377	2,988,723
Unearned premiums	1,805,115	1,909,860
Experience rated refund pool	11,857	10,630
	4,862,349	4,909,213

The most recent set of annual consolidated financial statements provides a summary of the Company's unpaid claims and adjustment expense provision and unearned premiums by type of insurance contract both before and after reinsurance.

COVID-19 has the potential to alter estimates and assumptions used in the valuation of insurance contracts, including claims development. The extent to which COVID-19 alters the Company's estimates and assumptions in the valuation of its insurance contract liabilities will depend on future developments that are highly uncertain, including new information which may emerge concerning the duration and severity of government interventions. As at the reporting date, the Company has recognized an increase to unpaid claims and adjustment expenses of \$12,870 as a result of COVID-19. The Company continues to closely monitor and actively manage its insurance risk management policies as outlined in the Company's most recent set of annual consolidated financial statements.

7. Reinsurance contracts

The Company follows the policy of underwriting and reinsuring contracts of insurance which limits the liability of the Company to a maximum amount on any one loss. In addition, the Company has obtained reinsurance which limits the Company's liability in the event of a series of claims arising out of a single occurrence, with the exception of travel insurance which is described in further detail below.

CO-OPERATORS GENERAL INSURANCE COMPANY
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(unaudited)

(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

The Company's net retentions are as follows:

	As at March 31, 2020 \$	As at December 31, 2019 \$
Individual loss		
Property	7,500	7,500
General liability	5,000	5,000
Automobile	5,000	5,000
Fidelity and director's liability	3,000	3,000
Catastrophe		
Maximum limit	1,450,000	1,400,000
Company retention	70,000	70,000

For certain special classes of business or types of risk, the retention for single risk events may be lower through specific treaties or the use of facultative reinsurance. The maximum limit for catastrophe reinsurance is applied to all P&C insurance operations ultimately owned by CGL. After application of the catastrophe program, the Company's retention is \$70,000 in incurred claims.

CUMIS General's accident and sickness travel insurance, underwritten by the MGU, is fully ceded; 45% to CLIC and 55% to an external reinsurer. In addition, 55% of the property travel insurance is ceded to an external reinsurer; the company's maximum exposure per person is \$56. Trip cancellation reinsurance is purchased for \$1,800 of protection with a retention of \$450.

During the three months ended March 31, 2020, the Company required the use of the reinsurance coverage for the property travel line of business as described above. Premiums will be paid to reinsurers to the extent necessary to fully reinstate the coverage.

The amounts presented under reinsurance ceded contracts in the consolidated balance sheets represent the Company's net contractual rights under reinsurance contracts and consist of the following:

	As at March 31, 2020 \$	As at December 31, 2019 \$
Reinsurance ceded assets		
Reinsurers' share of unearned premiums	52,014	53,262
Reinsurers' share of unpaid claims and adjustment expenses	150,506	149,331
Reinsurer receivables	9,422	8,586
	211,942	211,179
Reinsurance ceded liabilities		
Unearned reinsurance commissions	25,272	25,968
Payable to reinsurers	4,815	6,373
Unlicensed reinsurer deposits	13,099	15,171
	43,186	47,512
Reinsurance ceded contracts	168,756	163,667

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(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

8. Income taxes

Reconciliation to statutory income tax rate

In the consolidated statements of income (loss), income tax expense reflects an effective tax rate which differs from the statutory tax rate for the following reasons:

	3 months ended		3 months ended	
	March 31,		March 31,	
	\$	%	\$	%
Income (loss) before income taxes	(63,290)		26,626	
Income tax expense (recovery) at statutory rates	(16,772)	26.5	7,189	27.0
Effects of:				
Non-taxable investment income	(2,007)	3.2	(2,626)	(9.9)
Non-deductible expenses	235	(0.4)	170	0.6
Change in income tax rates	3,917	(6.2)	(41)	(0.2)
Difference in effective tax rate of subsidiaries	(12)	-	(5)	-
Adjustment to tax expense in respect of prior years	65	(0.1)	-	-
Other	134	(0.2)	104	0.4
Income tax expense (recovery)	(14,440)	22.8	4,791	17.9

9. Intangible assets

	Goodwill	Licenses	Brand	Customer			Software under development	Total
				relationships	Software			
	\$	\$	\$	\$	\$	\$	\$	
Cost								
January 1, 2019	6,806	55,000	800	32,271	18,756	3,428	117,061	
Additions	-	-	-	18,165	-	7,469	25,634	
December 31, 2019	6,806	55,000	800	50,436	18,756	10,897	142,695	
Additions	-	-	-	-	-	793	793	
March 31, 2020	6,806	55,000	800	50,436	18,756	11,690	143,488	
Accumulated amortization								
January 1, 2019	-	-	-	16,133	18,315	-	34,448	
Amortization	-	-	-	4,070	182	-	4,252	
December 31, 2019	-	-	-	20,203	18,497	-	38,700	
Amortization	-	-	-	794	18	-	812	
March 31, 2020	-	-	-	20,997	18,515	-	39,512	
Net carrying value								
December 31, 2019	6,806	55,000	800	30,233	259	10,897	103,995	
March 31, 2020	6,806	55,000	800	29,439	241	11,690	103,976	

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10. Other assets

	As at March 31, 2020 \$	As at December 31, 2019 \$
Due from related parties	27,549	35,714
Loans to related parties	300	300
Reinsurance assumed receivables	2,737	3,040
Property and equipment	13,619	14,438
Due from risk sharing pools	9,934	3,879
Investments in associates and joint ventures	6,999	7,061
Prepaid expenses	1,272	3,540
Other	7,503	7,308
	69,913	75,280

11. Provisions and other liabilities

	As at March 31, 2020 \$	As at December 31, 2019 \$
Provision for advisor transition commissions	134,870	137,873
Advisor transition commission payable	16,744	17,300
Other provisions	8,417	8,767
Foreign currency forward contracts (note 5)	21,323	71
Other liabilities	2,469	2,601
	183,823	166,612

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12. Retirement benefit obligations

	As at March 31, 2020 \$	As at December 31, 2019 \$
Accrued benefit obligation		
Balance, beginning of year	128,661	120,501
Current service cost	1,454	4,302
Interest on accrued benefits	1,030	4,738
Benefits paid	(938)	(4,050)
Remeasurement (gain) loss		
Actuarial gains and losses arising from changes in financial assumptions	(11,492)	16,745
Actuarial gains arising from changes in demographic assumptions	-	(13,575)
Balance, end of year	118,715	128,661
Elements of defined benefit cost recognized in the year		
Current service cost	1,454	4,302
Interest on accrued benefits	1,030	4,738
Components of defined benefit costs recorded in net income (loss)	2,484	9,040
Remeasurements on the net defined benefit liability:		
Actuarial gains and losses arising from changes in financial assumptions	(11,492)	16,745
Actuarial gains arising from changes in demographic assumptions	-	(13,575)
Components of defined benefit costs recorded in OCI	(11,492)	3,170
Total components of defined benefit costs	(9,008)	12,210

The annual consolidated financial statements provide a summary of the Company's policies and significant assumptions used in the valuation of its retirement benefit obligations. Due to the impact of COVID-19 on financial markets and credit ratings of issuers, the discount rate used to value its medical, dental and life insurance benefits obligations was updated to 3.75% (December 31, 2019 – 3.25%). All other significant assumptions remain unchanged from the most recent set of annual consolidated financial statements.

CO-OPERATORS GENERAL INSURANCE COMPANY
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(Amounts in thousands of Canadian dollars, except for per share amounts and where otherwise noted)

13. Net earned premium

	3 months ended March 31, 2020 \$	3 months ended March 31, 2019 \$
Direct written premium	829,229	757,606
Assumed written premium	8,027	6,281
Gross written premium	837,256	763,887
Ceded written premium	(68,259)	(70,712)
Net written premium	768,997	693,175
Change in gross unearned premium	104,744	84,483
Change in ceded unearned premium	(1,248)	(14,630)
Net earned premium	872,493	763,028

14. Share capital

The number of shares and the amounts per share are not in thousands.

For the three months ended March 31, 2020, the Company issued 25,287 (2019 – 22,851) Class A preference shares, series B for \$2,529 (2019 - \$2,285) and redeemed 15,009 shares (2019 – 21,447) for \$1,500 (2019 - \$2,142). In addition, the Company issued nil (2019 - nil) common shares to its parent for \$nil (2019 - \$nil). The Company redeemed nil (2019 – 119,818) Class A preference shares, series A for \$nil (2019 - \$2,998).

Dividends are as follows:

	3 months ended March 31, 2020				3 months ended March 31, 2019			
	Declared \$	Declared per share \$	Paid \$	Paid per share \$	Declared \$	Declared per share \$	Paid \$	Paid per share \$
Class A, series A	-	-	-	-	-	-	113	1.00
Class A, series B	-	-	1,975	2.50	-	-	1,880	3.00
Class B	-	-	1	1.25	-	-	1	1.00
Class D, series A	-	-	35	2.50	-	-	35	3.00
Class D, series B	-	-	106	2.50	-	-	106	3.00
Class D, series C	-	-	108	2.50	-	-	108	3.00
Class E, series C	1,250	0.31	1,250	0.31	1,250	0.31	1,250	0.31
Class F, series A	-	-	458	0.94	-	-	458	1.00
Class G, series A	-	-	19	1.25	-	-	19	1.00
	1,250		3,952		1,250		3,970	

During the three months ended March 31, 2020, the Company declared and paid common dividends to its parent of \$nil (2019 - \$nil).

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15. Consolidated statements of cash flows

a) Other non-cash items

	3 months ended March 31, 2020 \$	3 months ended March 31, 2019 \$
i) Items not requiring the use of cash		
Investing activities (gains) losses	17,953	(33,445)
Impairment losses (note 5)	17,742	1,396
Amortization and depreciation of:		
Bond premium/discount	5,032	4,419
Mortgage accretion	56	95
Intangible assets	812	1,077
Property and equipment	1,213	1,800
Right-of-use assets	2,895	2,808
Change in fair value of FVTPL invested assets (note 5)	100,747	(7,315)
Deferred income taxes	2,714	(700)
Retirement benefit obligations	1,546	1,250
Loss from investments in joint ventures	62	193
	150,772	(28,422)
ii) Changes in non-cash operating components		
Other		
Insurance contracts	(46,864)	7,003
Reinsurance ceded contracts	(5,089)	(9,759)
Premiums due	92,765	77,249
Deferred acquisition expenses	13,597	15,477
Staff share loan plan	385	701
Accounts receivable and other assets	10,986	10,790
Accounts payable and accrued charges	(103,423)	(56,639)
Income taxes payable/recoverable	(101,072)	7,002
Provisions and other liabilities	(4,041)	2,066
	(142,756)	53,890

b) Supplemental information

	3 months ended March 31, 2020 \$	3 months ended March 31, 2019 \$
Interest and dividends received	52,362	49,417
Income taxes paid (net of recoveries)	83,692	(386)
Interest paid	204	246