



Insurance With
Integrity.
Since 1884.

127th Annual Report 2010

DIRECTORS

B.E. Braden
Portage la Prairie, Manitoba
R.L. Clark, CIP
Edmonton, Alberta
T.W. McCartney, FCIP
Portage la Prairie, Manitoba
J.G. Mitchell, FCIP, CRM
President and CEO
J.R. Moorhouse
Portage la Prairie, Manitoba
H.F. Riendeau, CA
Portage la Prairie, Manitoba
D.G. Simpson, CA
Portage la Prairie, Manitoba
D.W. Thompson
Portage la Prairie, Manitoba
J.T. Trimble
Portage la Prairie, Manitoba

OFFICERS

J.T. Trimble
Chairman of the Board
J.G. Mitchell, FCIP, CRM
President and CEO
C.W. Wyborn, FCIP, CRM
Vice President
D.G. Pedden, BA
Treasurer and CFO

HEAD OFFICE

Portage la Prairie, Manitoba
749 Saskatchewan Avenue East

UNDERWRITING AND MARKETING

B. Mooney, FCIP
Regional Manager
G.R. Kirk, CIP
Corporate Marketing Manager
R. Owens, BA (Adv), CIP, CRM
Corporate Business Development
Manager

CLAIMS

K.L. Wallis, FCIP
Corporate Claims Manager
M.R. Tarr, CIP
Regional Claims Manager

PRIVACY OFFICER

K.W. Metcalfe, ISP

BRANCHES

Edmonton, Alberta
Suite 310
12220 Stony Plain Road
T. Fata, BSc, FCIP, CRM
Regional Manager Branch
Operations
V. Ray, CIP
Claims Manager
St. Catharines, Ontario
Suite 201
25 Corporate Park Drive
P. DiTullio, CIP, CRM
Ontario Manager
C. Lawson, CIP, CRM
Claims Manager

Halifax, Nova Scotia
Suite 502
1595 Bedford Highway

D.G. Coolen, CIP
Atlantic Manager

B. McCann, CIP
Claims Manager

SERVICE OFFICES

Calgary, Alberta
C.A. Henderson
Marketing Representative

Saskatoon, Saskatchewan
L.D. Todd, FCIP
Marketing Representative

Brandon, Manitoba
20 - 18th Street

M. Edgar, CIP
Marketing Representative

J.J. Rempel, CIP
Claims Representative

Dauphin, Manitoba
115 - 1st Street SW

C.S. Halliday, CIP
Claims Representative

Winnipeg, Manitoba
1661 Portage Avenue

D. Borodenko, BA, CIP, CRM
Commercial Business Development
Manager

D.P. Gauthier, CIP
Claims Representative

*A Canadian Mutual Insurance
Company owned by the
Policyholders, operating through
some 500 Independent Brokers.
Organized October 2, 1884.
Federally Licensed 1930.*



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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors present the 127th Annual Report covering the twelve months ending December 31, 2010.

- Premiums written – \$188,630,863
- Investment income – \$11,597,017
- Underwriting loss – \$(13,169,645)
- Net after tax loss – \$(296,022)
- Earned surplus as of December 31, 2010 – \$110,549,528

2010 was a very challenging year for your Company. Our Investment income of \$11,597,017 was not enough to cover the \$13,169,645 of underwriting losses sustained by the Company. This resulted in a net decrease to the Earned Surplus of \$296,022.

Underwriting results were affected by weather related losses in Manitoba, Alberta, Saskatchewan, and Atlantic Canada. Our window of weather related losses usually runs from June through September. This year the losses started in May and continued through December.

There was also an overall deterioration of the auto loss ratio with the result being an underwriting loss exceeding \$8,000,000. The regulatory requirements for auto filings will present a challenge in the effort to increase premiums to offset the losses. The Facility Association Auto pools are expected to provide underwriting losses to the Company in 2011. The combined loss ratio for the Company for 2010 was 110%.

Our written premium volume exceeded \$188,000,000. Overall premium growth for 2010 was 12.6% with the growth coming from all business lines and all geographic regions. Policy count growth was 8.8%.

Testing began on our broker portal in October and plans for deployment in the summer of 2011 are well underway. The use of the portal will improve throughput and accuracy of underwriting information.

We began the process of using predictive analytics as an underwriting tool. This project will analyze our data to find opportunities for premium growth and underwriting profit and will be implemented in 2011.

Rate adequacy to offset weather related property losses and regulatory requirements in the filing of Automobile rates will be the immediate challenges for the Board of Directors and the Company. Management will look to slow the pace of premium growth through a cooperative effort with our broker force.

The Board expresses our thanks to our dedicated staff and loyal brokers for their efforts in 2010 and look forward to their support as we face the challenges that will arise in 2011.

Submitted on behalf of the Board of Directors,

J.T. Trimble

CHAIRMAN

J.G. Mitchell

PRESIDENT AND CEO



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

MANAGEMENT COMMENTARY

Year ended December 31, 2010

Overview

2010 was a very challenging year. Net underwriting losses of over \$13,000,000 exceeded our investment income with a resulting reduction to the earned surplus of \$296,000. The year started very positively and then deteriorated due to a high frequency of large losses. The first four months produced strong underwriting profits. Underwriting losses occurred in each of the last eight months of the year. Our customer base expanded to 177,000 policyholders. Our premium volume increased to over \$188 million.

Management discussions on operations and strategic planning are listed below:

Underwriting

After a very promising start to 2010, weather related catastrophic losses took an unprecedented toll on our Property Underwriting Account. Extreme rainfall events took place in Manitoba (May), Saskatchewan (July), Alberta (July), Nova Scotia, and New Brunswick (December). The July rainstorm in Saskatchewan resulted in parts of Yorkton being submerged with sewer back-ups occurring throughout much of the city. Our resulting losses exceeded \$4,000,000 and, once again, our Reinsurance partners are participating in this loss.

As a result of the increasing frequency and severity of these weather related losses, we will be seeking increased premiums from our Property policyholders across the country.

Our Automobile underwriting account deteriorated substantially in 2010. Regulatory constraints prevent us from taking quick action to help turn this around. While we were able to obtain some rate increases in 2010, we need additional rate increases, which will be difficult to obtain in the short-term. For that reason we expect our Automobile underwriting account will continue to struggle in 2011. On a positive note, the Ontario government has implemented some product changes that should help to stabilize losses in that province, and the Constitutional Challenges that have created a great deal of uncertainty in both Alberta and the Maritimes, over the past several years, have been concluded.

Information Technology

Testing on our broker portal continues with a planned internal deployment to occur in the summer of 2011. Brokers will begin using the system later in the fall. We have investigated the potential of using predictive modelling techniques to identify opportunities to improve underwriting rating and loss experience. We will begin a project to identify opportunities in our personal property portfolio. We continue to expand the use of Ratabase, our rating engine, to provide greater granularity with our product pricing.

Claims

Claims severity increased by 16% over the previous year. Claims frequency increased slightly. Government regulations regarding "all comers rules" for automobile create claims that are more difficult and challenging to handle. Enhanced consumer expectation during the claims process requires more resources from both claims staff and vendors.

Weather related storms for 2010 resulted in losses exceeding 8 million dollars. Those storms occurred in Manitoba, Saskatchewan, Alberta, and the Atlantic provinces. Weather related losses will continue to be a challenge in the future. Water claims continue to increase in severity with both sewer back-up and water escape losses being problematic.

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



MANAGEMENT COMMENTARY CONTINUED

Year ended December 31, 2010

Limitations on automobile bodily injury claims for minor injuries have been upheld in all jurisdictions. Inflationary increases on limits for these claims will temper the effect on reserving requirements.

We are continuing to monitor our claims staffing levels and improvements to our claims handling processes to meet the high level of claims service we have set.

Investments and Capital Management

Investment income decreased this year to \$11,597,017 due to fewer realized gains on investments compared to 2009. Investment income consisted of dividend and interest income of \$9,587,240, an increase of 4% over 2009. Realized gains declined in 2010 by \$823,620.

Overall our investment portfolio has an accumulated unrealized gain of \$10,114,908 after taxes. This provides us with additional security and capital.

The yield on the investment portfolio was 5.16% in 2010 decreasing slightly from 5.96% in 2009. See Notes 3 and 13 of the financial statements for more information on the composition and risks of the investment portfolio.

As noted in Note 14 Capital Management, we are a federally regulated P&C company. Our financial strength through the Minimum Capital Test (MCT) is 288%. This is down significantly from 2009 due to the significant underwriting loss for the year and increased capital required for our underwriting exposures. Our MCT ratio is still significantly above the minimum requirement of 150% prescribed by the Office of the Superintendent of Financial Institutions. (OSFI)

Our financial strength continues to enable us to fulfill our promise to protect the assets of our policyholders and face the challenges in the current business environment.

Management

We continue to focus on the fundamental concept of spread of risk both geographically and across product lines. Our commercial premium volumes continue to increase in spite of a very soft commercial market. 2011 will be a year of controlled premium growth, strong broker management practices, and premium rate increases where available.

A Look Ahead

The past year has clearly indicated our financial strength provides a very solid foundation for long term business planning. We will use our strong financial position to move forward with projects to improve our IT infrastructure platform, strengthen and enhance the skill sets of our employees, and establish initiatives to monitor and improve our customer service.

Providing security and asset protection coupled with quality customer service creates a strong value proposition for the brokers and policyholders of Portage Mutual Insurance. We look forward to improved results in 2011.



APPOINTED ACTUARY'S REPORT

To the Policyholders of The Portage la Prairie Mutual Insurance Company:

I have valued the policy liabilities of The Portage la Prairie Mutual Insurance Company for its balance sheet at 31 December 2010 and their changes in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

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

Brian G. Pelly,

FELLOW, CANADIAN INSTITUTE OF ACTUARIES

TORONTO, ONTARIO

FEBRUARY 23, 2011

INDEPENDENT AUDITORS' REPORT

To the Policyholders of The Portage la Prairie Mutual Insurance Company:

We have audited the accompanying consolidated financial statements of The Portage la Prairie Mutual Insurance Company, which comprise the consolidated balance sheet as at December 31, 2010, the consolidated statements of operations, comprehensive income, earned surplus and accumulated other comprehensive income and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Portage la Prairie Mutual Insurance Company as at December 31, 2010 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

WINNIPEG, CANADA

FEBRUARY 23, 2011

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Insurance operations:		
Premiums written	\$ 188,630,863	\$ 167,500,549
Reinsurance premiums ceded	22,853,219	18,172,186
Increase in unearned premiums	8,253,774	8,990,142
	31,106,993	27,162,328
Underwriting revenue	157,523,870	140,338,221
Service charges on installment premiums	2,906,794	2,483,863
	160,430,664	142,822,084
Claims and adjustment expenses	119,254,588	88,136,506
General expenses	20,310,721	19,941,748
Commissions and premium taxes	34,035,000	32,319,262
	173,600,309	140,397,516
Underwriting income (loss)	(13,169,645)	2,424,568
Investment operations:		
Interest, dividends, and other revenue	9,160,886	8,836,557
Net realized gain on disposal of investments	2,436,131	3,259,751
Investment income	11,597,017	12,096,308
Income (loss) before income taxes	(1,572,628)	14,520,876
Income taxes (note 10):		
Current (recovery)	(992,716)	4,268,095
Future	72,400	180,946
	(920,316)	4,449,041
Share of net income of affiliated companies	356,290	109,104
Net income (loss)	\$ (296,022)	\$ 10,180,939

See accompanying notes to consolidated financial statements.



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

CONSOLIDATED BALANCE SHEET

December 31, 2010, with comparative figures for 2009

	2010	2009
ASSETS		
Cash and short-term investments	\$ 5,564,150	\$ 15,771,760
Accounts receivable	61,345,433	56,105,822
Investments (note 3)	233,511,113	213,371,648
Capital assets (note 4)	2,848,685	2,623,290
Other assets (note 5)	5,200,015	3,461,875
Reinsurers' share of provision for unpaid losses (note 8)	9,380,653	9,176,942
Reinsurers' share of unearned premiums	8,982,826	7,085,955
Accrued pension asset (note 6)	3,208,587	2,797,252
Income taxes recoverable	3,776,449	-
Deferred policy acquisition expenses	21,672,213	18,722,141
Future income taxes (note 10)	75,524	-
Total Assets	\$ 355,565,648	\$ 329,116,685
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 14,316,345	\$ 13,278,063
Other taxes payable	3,176,126	3,721,162
Provision for unpaid losses (note 8)	119,716,755	99,919,993
Income taxes payable	-	5,928,563
Future income taxes (note 10)	-	198,454
Unearned premiums	97,691,986	87,541,341
Total Liabilities	234,901,212	210,587,576
Equity:		
Earned surplus	\$ 110,549,528	\$ 110,845,550
Accumulated other comprehensive income	10,114,908	7,683,559
Total Equity	120,664,436	118,529,109
Total Liabilities and Equity	\$ 355,565,648	\$ 329,116,685

Commitments (note 9)

Contingencies (note 12)

On behalf of the Board:

J.T. Trimble, Director

J.G. Mitchell, Director

See accompanying notes to consolidated financial statements.

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Net income (loss)	\$ (296,022)	\$ 10,180,939
Other comprehensive income (loss):		
Change in unrealized gains or (losses) on available for sale investments	3,148,561	9,784,031
Reclassification of net realized (gains) losses to income	(717,212)	(400,552)
Total other comprehensive income (loss)	2,431,349	9,383,479
Total comprehensive income	\$ 2,135,327	\$ 19,564,418

CONSOLIDATED STATEMENT OF EARNED SURPLUS AND ACCUMULATED OTHER COMPREHENSIVE INCOME

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Earned surplus, beginning of year	\$ 110,845,550	\$ 100,664,611
Net income (loss)	(296,022)	10,180,939
Earned surplus, end of year	\$ 110,549,528	\$ 110,845,550
Accumulated other comprehensive income (loss), beginning of year	7,683,559	(1,699,920)
Other comprehensive income (loss)	2,431,349	9,383,479
Accumulated other comprehensive income, end of year	10,114,908	7,683,559
Total earned surplus and accumulated other comprehensive income	\$ 120,664,436	\$ 118,529,109

The balance of accumulated other comprehensive income at December 31, 2010 consists of net unrealized gains on available for sale investments, net of taxes of \$5,212,622. This amount was \$4,499,230 at December 31, 2009.

See accompanying notes to consolidated financial statements.



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operation activities:		
Net income (loss)	\$ (296,022)	\$ 10,180,939
Items not involving cash:		
Amortization of bond premiums	771,601	326,982
Amortization on capital and other assets	841,086	726,838
Future income taxes	72,400	180,946
Loss (gain) on disposal of capital assets	(25,407)	(7,650)
Net realized gain on disposal of investments	(2,436,131)	(3,259,751)
Change in non-cash balances relating to operations:		
Deferred policy acquisition expenses	(2,950,072)	(1,945,678)
Provision for unpaid losses, net of reinsurers' share	19,593,051	5,054,991
Unearned premiums, net of reinsurers' share	8,253,775	8,990,143
Income taxes	(9,705,012)	10,134,442
Other	(7,341,387)	(6,090,014)
Share of net income of affiliated companies	356,290	109,104
Net cash provided by operating activities	7,134,172	24,401,292
Investing activities:		
Purchase of capital assets	(757,608)	(513,161)
Purchase of other assets	(2,069,551)	(2,539,062)
Purchase of investments	(50,892,059)	(48,735,551)
Proceeds from the sale of capital assets	47,946	21,100
Proceeds on disposal of investments	36,329,490	21,453,730
Net cash (used in) investing activities	(17,341,782)	(30,312,944)
Net change in cash and short-term investments	(10,207,610)	(5,911,652)
Cash and short-term investments, beginning of year	15,771,760	21,683,412
Cash and short-term investments, end of year	\$ 5,564,150	\$ 15,771,760
Cash and short-term investments is comprised of:		
Cash in bank	\$ 5,564,150	\$ 15,771,760
Supplementary cash flow information:		
Cash paid for:		
Income taxes	\$ 6,150,000	\$ (992,864)
Interest and dividends received	\$ 10,187,215	\$ 8,875,412

See accompanying notes to consolidated financial statements.

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

1. General

The Company is incorporated without share capital under the laws of the Government of Canada and its principal business activities include the underwriting of general insurance. The Company is licensed in all provinces except Quebec.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Subsection 331 (4) of the Insurance Companies Act which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these consolidated financial statements, including the accounting requirements of the Superintendent, are summarized below. These accounting policies conform, in all material respects, to Canadian generally accepted accounting principles.

(A) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of The Portage La Prairie Mutual Insurance Company and the Company's wholly-owned subsidiary Portage Mutual Financial Inc. The equity method is used to account for investments over which the Company exerts significant influence.

(B) INVESTMENTS:

Investments comprise investment-grade fixed income securities, such as government and corporate bonds and debentures, exchange traded equity instruments, and other invested assets. Except for Investment in Affiliated Companies, investments are classified as either Available-for-Sale (AFS) or Held-to-Maturity (HTM) financial instruments.

(C) CAPITAL ASSETS:

Capital assets are stated at cost. Amortization is provided on the straight-line basis using the following annual rates:

Building	2%
Furniture and equipment	10%
Automobiles	30%
Data processing system	20%
Leasehold improvements	Over the term of the leases, 5 - 7 years

On an annual basis, capital assets are reviewed for impairment with respect to events or changes in circumstances that may indicate that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(D) OTHER ASSETS:

Other assets are comprised of computer system software. Computer system software under development is not amortized until such time as the asset is available for use, after which it is amortized on a straight-line basis of 20% per year.

(E) PREMIUMS EARNED AND DEFERRED POLICY ACQUISITION EXPENSES:

Insurance premiums are included in income generally on a pro rata basis over the terms of the policies. Acquisition expenses comprise commissions, premium taxes, and other expenses which relate directly to the production of the business.



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

2. Significant accounting policies (continued)

Deferred policy acquisition costs related to unearned premiums are amortized to income over the periods in which the premiums are earned. The amount of deferred policy acquisition expenses is limited to its net realizable value by giving consideration to losses and expenses estimated to be incurred as the premiums are earned.

(F) INTEREST AND DIVIDEND INCOME:

Interest income is recognized in the statement of operations as it accrues, using the original effective interest rate. Interest income includes the amortization of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income related to exchange-traded equity investments is recognized in the statement of operations on the ex-dividend date. All other dividend income is recognized when it is declared.

(G) CASH AND SHORT-TERM INVESTMENTS:

Cash and short-term investments consist of bank balances, net of outstanding cheques. They are highly liquid instruments classified as Held-for-Trading (HFT) financial instruments and are carried at fair value.

(H) PROVISION FOR UNPAID LOSSES:

The provision for unpaid losses represents an estimate for the full amount of all costs including investigation and the projected final settlements of claims incurred to the balance sheet date. This provision is calculated taking into consideration the time value of money and including an explicit provision for adverse deviations.

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 in the current period.

(I) FOREIGN EXCHANGE:

Investments denominated in foreign currency are treated as non-monetary assets and as such are translated into Canadian dollars at historical rates.

(J) 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 and estimates of amounts recoverable from reinsurers on unpaid losses are recorded as assets on the balance sheet. Amounts recoverable from reinsurers are estimated in a manner consistent with the related claims liabilities.

(K) INCOME TAXES:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities 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 or substantively enacted income tax rates for the years in which the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(L) COMPANY PENSION PLAN:

The Company sponsors a defined benefit plan which covers substantially all of its employees. The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension benefits. The Company has adopted the following policies:

The cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages, and expected health care costs.

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

2. Significant accounting policies (continued)

For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

Current service costs under the Company's pension plan are charged to operations as they accrue.

The cumulative gains and losses in excess of 10% of the greater of the market value of pension fund assets and the actuarial present value of the accrued pension obligation are amortized over the expected average remaining life of the employee group covered by the plan.

(M) USE OF ESTIMATES:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

(N) FINANCIAL INSTRUMENTS:

Accounts receivable are classified as loans and receivable. Accounts payable and accrued liabilities are classified as other liabilities. Held-to-Maturity (HTM) financial assets are carried at amortized cost on the balance sheet starting on the settlement date. Financial assets that are classified as HTM, loans and receivable and financial liabilities classified as other liabilities are measured at amortized cost based on the effective interest method.

Financial assets classified as Available-for-Sale (AFS) are measured at fair value at each reporting period with changes in fair value in subsequent periods included in other comprehensive income until such time as the asset is removed from the balance sheet, or has become other than temporarily impaired. As long as an AFS asset is held and not other than temporarily impaired, gains and losses are not recognized in the statement of operations. When the asset is disposed of, or has become other than temporarily impaired, the gain or loss is recognized in the statement of operations and the amount is deducted from other comprehensive income.

Held-for-Trading (HFT) financial assets are carried at fair value on the balance sheet date starting on the settlement date and changes in fair value are recorded in the statement of operations.

The Company has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of 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.

(O) INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) :

International Financial Reporting Standards will replace current Canadian GAAP for publicly accountable enterprises beginning in 2011. Canadian Insurance Companies that are Federally Regulated will be required to file their financial statements under IFRS beginning in 2011. The Company will prepare their first set of financial statements under IFRS for the year ended December 31, 2011. The opening balances for January 1, 2011 will be recorded under IFRS and have comparable figures from January 1, 2010.



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

3. Investments

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

	Classified as AFS	Classified as HTM	2010 Carrying Value	2009 Carrying Value
Bonds and debentures	\$ 156,575,510	\$ 4,777,546	\$ 161,353,056	\$ 160,999,566
Preferred shares	9,866,296	-	9,866,296	9,968,668
Common shares	47,499,379	-	47,499,379	34,223,021
Other invested assets	-	7,578,612	7,578,612	4,786,814
Total investments accounted for at fair value	\$ 213,941,185	\$ 12,356,158	\$ 226,297,343	\$ 209,978,069
Invested in affiliated company accounted for using equity method (Note 15)	-	-	7,213,770	3,393,579
Total Investments	\$ 213,941,185	\$12,356,158	\$ 233,511,113	\$ 213,371,648

Management has reviewed investments for objective evidence of impairment at December 31, 2010 and determined there are none (2009 - \$714,580).

For comparative purposes the Trust Units are included within the Common Shares balance.

Investment income as at December 31, 2010 was derived from the following:

	2010	2009
Dividend income	\$ 1,905,209	\$ 1,660,446
Interest income	7,682,031	7,525,772
Realized gains/losses	2,436,131	3,259,751
Total Investment Income	\$ 12,023,371	\$ 12,445,969

The coupon rates on bonds and debentures varies between 3.25% and 9.125% as at December 31, 2010 (2009 - 3.11% to 10.20%). The maturity dates vary from January 2011 to December 2036.

4. Capital assets

	Cost	Accumulated Amortization	2010 Net	2009 Net
Land	\$ 80,000	-	\$ 80,000	\$ 80,000
Building	1,273,443	365,035	908,408	817,639
Data processing system	2,264,315	1,809,498	454,817	376,026
Furniture and equipment	2,754,998	1,947,643	807,355	878,462
Automobiles	849,602	499,417	350,185	260,705
Leasehold improvements	381,725	133,805	247,920	210,458
	\$ 7,604,083	\$ 4,755,398	\$ 2,848,685	\$ 2,623,290

5. Other assets

	Cost	Accumulated Amortization	2010 Net	2009 Net
Computer system software	\$ 11,794,449	\$ 6,594,434	\$ 5,200,015	\$ 3,461,875

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

6. Pension obligation

	2010	2009
Components of net periodic pension cost:		
Current service cost (employer portion)	\$ 841,738	\$ 1,463,179
Interest cost	1,193,002	931,204
Actual return on plan assets	(3,021,950)	(4,582,177)
Actuarial loss (gain) on accrued benefit obligation	3,962,262	(8,692,166)
Costs arising in the year	2,975,052	(10,879,960)
Differences between costs arising in the year and costs recognized in the year in respect of:		
Return on plan assets	\$ 1,212,933	\$ 2,965,340
Actuarial loss (gain)	(4,359,523)	8,841,396
Plan amendments	85,977	85,977
Transitional obligation (asset)	(325,774)	(325,774)
Total of the differences between costs arising in the year and costs recognized in the year	\$ (3,386,387)	\$ 11,566,939
Net pension cost (recovery) recognized	\$ (411,335)	\$ 686,979
Weighted-average assumptions for expense:		
Discount rate	6.80%	3.70%
Expected long-term rate of return on plan assets	6.50%	6.75%
Rate of compensation increase	5.60%	4.40%
Weighted-average assumptions for accrued benefit obligation:		
Discount rate	5.85%	6.80%
Rate of compensation increase	5.50%	5.60%
Change in accrued benefit obligation:		
Accrued benefit obligation at end of prior year	\$ 17,102,415	\$ 24,008,779
Current service cost (employer portion)	841,738	1,463,179
Interest cost	1,193,002	931,204
Benefits paid	(741,709)	(608,581)
Actuarial loss (gain)	3,962,262	(8,692,166)
Accrued benefit obligation at end of year	\$ 22,357,708	\$ 17,102,415
Change in plan assets:		
Fair value of plan assets at end of prior year	\$ 28,231,025	\$ 24,257,429
Actual return on plan assets	3,021,950	4,582,177
Benefits paid	(741,709)	(608,581)
Fair value of plan assets at end of year	\$ 30,511,266	\$ 28,231,025
Reconciliation of funded status to accrued benefit asset (liability)		
Excess at end of year	\$ 8,153,558	\$ 11,128,610
Unamortized transitional obligation (asset)	(1,237,937)	(1,563,711)
Unamortized past service costs	736,609	822,586
Unamortized net actuarial loss (gain)	(4,443,643)	(7,590,232)
Accrued benefit asset	\$ 3,208,587	\$ 2,797,253
Plan assets by asset category		
Equity securities	54.2%	53.5%
Debt securities	41.7%	41.5%
Other	4.1%	5.0%
Total	100.0%	100.0%

The plan's assets do not include any investments in The Portage la Prairie Mutual Insurance Company as of December 31, 2010 and December 31, 2009.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2009 and the next required valuation will be as of December 31, 2012.



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

7. Reinsurance

The Company follows the policy of underwriting and reinsuring contracts of insurance which, in the main, limits the liability of the Company to a maximum on any one loss of \$500,000 (2009 - \$500,000) in the event of a property claim and an amount of \$1,500,000 (2009 - \$1,500,000) in the event of a liability claim. In addition, the Company has obtained reinsurance having an upper amount of \$100,000,000 (2009 - \$100,000,000) which limits the Company's liability to \$2,500,000 (2009 - \$2,500,000) in the event of a series of claims arising out of a single occurrence.

Reinsurance has been recorded in the statement of operations as follows:

	2010	2009
Gross premiums earned	\$ 180,377,089	\$ 158,510,407
Less earned premiums ceded	22,853,219	18,172,186
Underwriting revenue	\$ 157,523,870	\$ 140,338,221
Gross losses and expenses incurred	129,101,476	\$ 99,482,588
Less incurred losses and expenses ceded	9,846,888	11,346,082
Claims and adjustment expenses	\$ 119,254,588	\$ 88,136,506

8. Provision for unpaid losses

(a) Nature of unpaid losses and adjustment expenses:

The establishment of the provision for unpaid losses is based on known facts and interpretation of circumstances, on a case by case basis, and is therefore a complex and dynamic process influenced by a large variety of factors.

These factors include the professional experience of the Company's claims department personnel and independent adjusters retained to handle individual claims, the continually evolving and changing regulatory and legal environment, the quality of data used for projection purposes, actuarial studies, and the effect of inflationary trends on future claims settlement costs and court decisions. In addition, time can be a critical part of the reserving determination, since the longer the span between the incidence of a loss and the final payment of the claims, the more variable the ultimate settlement amount can be. Short-term claims, such as property claims, tend to be more reasonably predictable than long-term claims, such as automobile liability and general liability claims.

(b) Discounting of the provision for unpaid claims and adjustment expenses and related reinsurance recoveries:

The provision for unpaid claims and adjustment expenses and related reinsurance recoveries is discounted using rates based on the projected investment income from the assets supporting the provisions and reflecting the estimated timing of payments and recoveries. The discount rates used are 2.56% for 2010 and 3.01% for 2009.

(c) The table below details the provision for unpaid losses by risk categories:

Type of claim provision (000's)	2010 Gross	2010 Ceded	2009 Gross	2009 Ceded
Long-settlement term:				
General liability, automobile liability, and personal accident	\$ 80,762	\$ 1,513	\$ 62,926	\$ 2,125
Facility Association and other residual pools	7,088	-	10,212	-
	87,850	1,513	73,138	2,125
Short-settlement term:				
Property and automobile other	31,866	7,868	26,782	7,052
Total	\$ 119,716	\$ 9,381	\$ 99,920	\$ 9,177

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

8. Provision for unpaid losses (continued)

The appointed actuary completes an annual evaluation of the adequacy of the policy liabilities at the end of each financial year. This evaluation includes a re-estimation of the liability for unpaid claims relating to each preceding financial year compared to the liability that was originally established. The following summarizes the resulting comparison:

Accident year (000's)	2009	2008	2007	2006	2005
Unpaid claims (net of reinsurance), originally established at end of the accident year	\$ 41,377	\$ 36,537	\$ 33,288	\$ 33,607	\$ 28,100
Less paid to date	23,987	23,281	32,466	24,733	21,965
	17,390	13,256	822	8,874	6,135
Re-estimated as at December 31, 2010	19,575	11,600	8,452	3,217	5,783
Cumulative (deficiency) redundancy	\$ (2,185)	\$ 1,656	\$ (7,630)	\$ 5,657	\$ 352

(d) The provision for unpaid losses is calculated as the present value of expected future payments plus actuarially determined provisions for adverse deviations, and is considered an indicator of fair value, as there is no organized market for the trading of insurance liabilities.

9. Commitments

(a) The Company leases office premises under operating leases which expire at various dates between 2010 and 2013. The following is a schedule of future minimum lease payments due in each of the next five years:

2011	\$ 274,964
2012	149,026
2013	58,324
2014	-
2015	-

(b) The Company has a commitment for computer processing and support services expiring in 2014. The future minimum payments for these services is \$4,673,004.



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

10. Income taxes

The provision for income taxes differs from the statutory marginal rate as certain sources of income are exempt from tax or are taxed at other than the marginal rate.

The Company's provision for income taxes, compared to statutory rates is summarized as follows:

	2010	2009
Provision for income taxes at:		
Statutory marginal income tax rate at 30.78% (2009 - 32.15%)	\$ (473,615)	\$ 4,653,947
Non-taxable investment income	(376,781)	(349,044)
Change in other taxes	(1,893)	37,354
Other	(68,027)	106,784
Provision for income taxes	\$ (920,316)	\$ 4,449,041

The components of future income tax balances are as follows:

	2010	2009
Future income tax assets:		
Unpaid claims	\$ 1,545,288	\$ 1,334,101
Future income tax assets	\$ 1,545,288	\$ 1,334,101
Future income tax liabilities:		
Pension plan	(883,003)	(789,944)
Investments	(190,899)	(399,867)
Other	(395,862)	(342,744)
Future income tax liabilities	\$ (1,469,764)	\$ (1,532,555)
Net future income tax assets	\$ 75,524	\$ (198,454)

11. Role of the actuary and auditor

The actuary has been appointed pursuant to the Insurance Companies Act. With respect to preparation of financial statements, the actuary is required to carry out a valuation of the Company's policy liabilities, which consist of a provision for, and reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force and of future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition expenses. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any direction that may be made by regulatory authorities, and reported thereon to the policyholders. In performing the valuation of the liabilities, which are by their nature inherently variable, assumptions are made as to the future loss ratios, trends, rates of claims frequency and severity, inflation, reinsurance recoveries, investment rates of return, and both internal and external adjustment expenses, taking into consideration the circumstances of the Company and the nature of the insurance policies in force. The provisions do not include estimates for extraordinary future emergence of either new classes of claims or claims categories not sufficiently recognized in the claims database. It is certain that the actual development of claims and adjustment expenses will vary from the valuation and may, in fact, vary significantly. The actuary, in his verification of the management information provided by the Company used in the valuation, also makes use of the work of the external auditors. 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 to conduct an independent and objective audit of the financial statements of the Company 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 on the Company's policy liabilities. The auditors' report outlines the scope of their audit and their opinion.

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

12. Contingencies

The Company has purchased a number of annuities in settlement of claims. These annuities have been purchased from registered Canadian life insurers with the highest claims paying ability ratings as determined by outside ratings organizations. The Company has a contingent credit risk with respect to the failure of these life insurers and the fair value of the financial guarantees is \$3,931,925 (2009 - \$3,486,787).

From time to time, in connection with its operations, the Company is named in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome at this time, in the opinion of management, these matters are without substantial merit and therefore no provision has been made for them in the accounts.

13. Financial instruments

Risk management is carried out by a Finance Group and Investment Committee under policies approved by the Board of Directors and Senior Management. The Company has written principles for overall risk management, as well as written policies covering specific areas, such as insurance risk, credit risk, liquidity risk, market risk, and the use of derivative and non-derivative financial instruments.

Insurance Risk

Is the risk that the total cost of claims and acquisition expenses will exceed premiums received and can arise from numerous factors, including pricing risk, reserving risk, catastrophic loss risk, and reinsurance coverage risk.

Pricing risk: Arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicity of the insurance market.

Reserving risk: 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 in the current period.

Catastrophic loss risk: Is the exposure to losses resulting from multiple claims arising out of a single catastrophic event.

Reinsurance coverage risk: The Company relies on reinsurance to manage the underwriting risk, however, reinsurance does not release the Company from its primary commitments to its policyholders. The Company limits its exposure to individual reinsurers and regularly reviews the creditworthiness of reinsurers with whom it transacts.

Credit Risk

The Company is exposed to credit risk through its investments in fixed income securities, other invested assets, and accounts receivable from policyholders and reinsurers. The Company monitors its exposure to individual issuers and classes of issuers of fixed income securities which do not carry the guarantee of a national or Canadian provincial government. Management believes the Company's credit exposure to any one individual policyholder is not material due to the geographic dispersion of revenues and diversified customer base. The Company's policies are distributed by brokers who manage cash collections on its behalf. The Company monitors its exposure to credit risk with brokers and ensures that it works only with provincially licensed firms in good standing with their respective regulatory bodies.

The breakdown of the Company's fixed income portfolio by credit ratings from various ratings agencies, is presented below:

Credit Rating	2010 Total Carrying Value		2009 Total Carrying Value	
AAA	\$ 20,062,707	12%	\$ 16,510,046	10%
AA	82,286,012	51%	76,939,368	48%
A	52,086,888	33%	64,905,001	40%
BBB	6,917,449	4%	2,645,151	2%
Total	\$ 161,353,056	100%	\$ 160,999,566	100%



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

13. Financial instruments (continued)

As at December 31, 2010, 95.71% of the Company's fixed income portfolio is rated 'A' or better, compared to 98.36% at December 31, 2009.

As at December 31, 2010, financial assets of \$230,277,101 (2009 - \$221,892,202) represented by accounts receivable, bonds, amounts due from reinsurers, and other investments were exposed to credit risk.

Liquidity Risk

Is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. To mitigate these risks the Company ensures that assets and liabilities are broadly matched in both their duration and currency and actions are taken to balance positions within approved risk tolerance limits. Accounts payable, accrued liabilities, and unearned premiums have a contractual maturity of less than one year.

The table below summarizes the carrying value and fair value by the earliest contractual maturity of the Company's bonds and debentures.

Maturity Profile	Within 1 Year	2 to 5 Years	6 to 10 Years	Over 10 Years	Total
As at December 31, 2010					
Bonds and debentures	\$ 14,777,570	\$ 104,181,118	\$ 32,257,236	\$ 10,137,132	\$ 161,353,056
As at December 31, 2009					
Bonds and debentures	\$ 14,386,630	\$ 96,854,470	\$ 29,028,195	\$ 20,730,271	\$ 160,999,566

Market Risk

The risk that changes in market prices, such as interest rates, equity market prices, foreign exchange rates, and credit spreads will affect the Company's income or the value of its holdings of financial instruments. Market risk generally includes currency risk, interest rate risk, and equity market fluctuations risk.

The Company monitors its exposure to individual issuers, foreign currencies, and classes of issuers of equity instruments. A hypothetical change in 1% of foreign exchange would not have a significant impact on the financial statements.

As at December 31, 2010, management estimates that an immediate hypothetical 100 basis point, or 1%, parallel increase in interest rates would decrease the market value of the fixed income securities by \$5,985,000 (2009 - \$6,640,000), representing 4% of the \$154,400,000 (2009 - \$159,544,000) fair value fixed income securities portfolio, and decrease the value of unpaid claims reserves by \$2,002,000 (2009 - \$1,454,000) thus partially offsetting the change in market value of bonds. Conversely, a 100 basis point decrease in interest rates would increase the market value of the fixed income securities and value of unpaid claims reserves by the same amounts, respectively.

The Company's investments in equities are sensitive to market fluctuations. To properly manage the Company's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector, and investment manager risks are set and monitored. A decline of 10 percent in equity values, with all other variables held constant, will impact the Company's equity investments by an approximate loss of \$5,737,000 (2009 - \$4,420,000).

The Company has no investments in derivative products, hedge funds, collateral financial products, or structured financial products.

Fair Value

Carrying value of accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term nature. The carrying value of Held-to-Maturity (HTM) bonds and debentures and other invested assets approximates fair value.

THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

13. Financial instruments (continued)

Fair Value Hierarchy

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	Level 2	Level 3	Total
As at December 31, 2010				
Bonds and debentures				
Canadian government	\$ -	\$ 6,754,420	\$ -	\$ 6,754,420
Provincial	-	47,935,805	-	47,935,805
Corporate	-	101,885,285	-	101,885,285
Equity investments				
Canadian	\$ 45,152,356	\$ -	\$ -	\$ 45,152,356
Foreign	12,213,319	-	-	12,213,319
Total assets measured at fair value	\$ 57,365,675	\$ 156,575,510	\$ -	\$ 213,941,185

	Level 1	Level 2	Level 3	Total
As at December 31, 2009				
Bonds and debentures				
Canadian government	\$ -	\$ 6,558,290	\$ -	\$ 6,558,290
Provincial	-	47,344,009	-	47,344,009
Corporate	-	102,097,267	-	102,097,267
Equity investments				
Canadian	\$ 35,986,984	\$ -	\$ -	\$ 35,986,984
Foreign	8,204,705	-	-	8,204,705
Total assets measured at fair value	\$ 44,191,689	\$ 155,999,566	\$ -	\$ 200,191,255

14. Capital management

Capital is comprised of the Company's earned surplus and accumulated other comprehensive income (AOCI). As at December 31, 2010 the Company's earned surplus was \$110,549,528 and AOCI was \$10,114,908. The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities, to maintain creditworthiness and to maximize returns for policyholders over the long term. Senior management develops the capital strategy and oversees the capital management process of the Company. Capital is managed using both regulatory capital measures and internal metrics.

The Portage la Prairie Mutual Insurance Company is regulated by the Office of the Superintendent of Financial Institutions (OSFI). The minimum capital test targeted by the Company is 200.0% compared to the regulatory Minimum Capital Test (MCT) requirement of 150.0%. To measure the degree to which the Company is able to meet regulatory solvency requirements, the appointed actuary presents an annual report to the Audit Committee and management on the Company's current and future solvency. As at December 31, 2010, the Company has a MCT ratio of 288% (2009 - 347%) and aggregate available capital in excess of required capital of approximately \$70 million (2009 - approximately \$76 million).

A common measure of capital adequacy in the property and casualty industry and used by management is the ratio of premiums to earned surplus. A lower ratio implies a higher measure of capital adequacy. The net premiums written to surplus ratio at December 31, 2010 was 1.50% (2009 - 1.35%).



THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Year ended December 31, 2010

15. Related party transactions

During the year, Portage Mutual Financial Inc. acquired 200,000 common shares and 3,096,221 preferred shares of a brokerage company for cash consideration of \$3,341,465 which represents an ownership interest of 20%. Portage Mutual Financial Inc. also acquired an additional 25,327 common shares in a brokerage they previously invested in for cash consideration of \$156,186 which represents a total ownership interest of 34%. Portage Mutual Financial Inc. is accounting for these investments using the equity method. The Company enters into related party transactions with Portage Mutual Financial Inc. and with entities that Portage Mutual Financial Inc. has made investments in. These transactions consist of interest income and commissions and are carried out in the normal course of operations and on normal market terms.

The types of transactions with entities that are related parties are summarized below:

a) Revenue and Expenses

	2010	2009
Revenue		
Interest income	\$ 53,700	\$ 52,790
Expenses		
Commissions	1,020,387	333,146

b) Consolidated Balance Sheet Amounts

	2010	2009
Accounts receivable	\$ 172,360	\$ 1,196

16. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

TEN YEARS OF PROGRESS

	2010	2000
Premiums Written	\$ 188,630,863	\$ 74,183,493
Net Premiums Written	\$ 165,777,644	\$ 67,882,903
Investment Income	\$ 11,597,017	\$ 6,450,997
Total Assets	\$ 355,565,648	\$ 132,447,086
Equity	\$ 120,664,436	\$ 46,551,757



Insurance With
Integrity.
Since 1884.

Mutual Service with Security

The Portage la Prairie Mutual Insurance Company was organized October 2, 1884, based on the underlying principles of security, integrity, hard work, and personalized service.

As a 100% Canadian-owned mutual insurance company, the success of Portage Mutual depends upon serving policyholders with fairness and showing genuine concern for their security. We do this by providing reasonably priced, flexible insurance products and by supporting our brokers with exemplary service.

At Portage Mutual, we believe that doing business with integrity never goes out of style. It is as important today as it was when we began 127 years ago, and it is part of what makes Portage Mutual customers so loyal.



An All Canadian Company