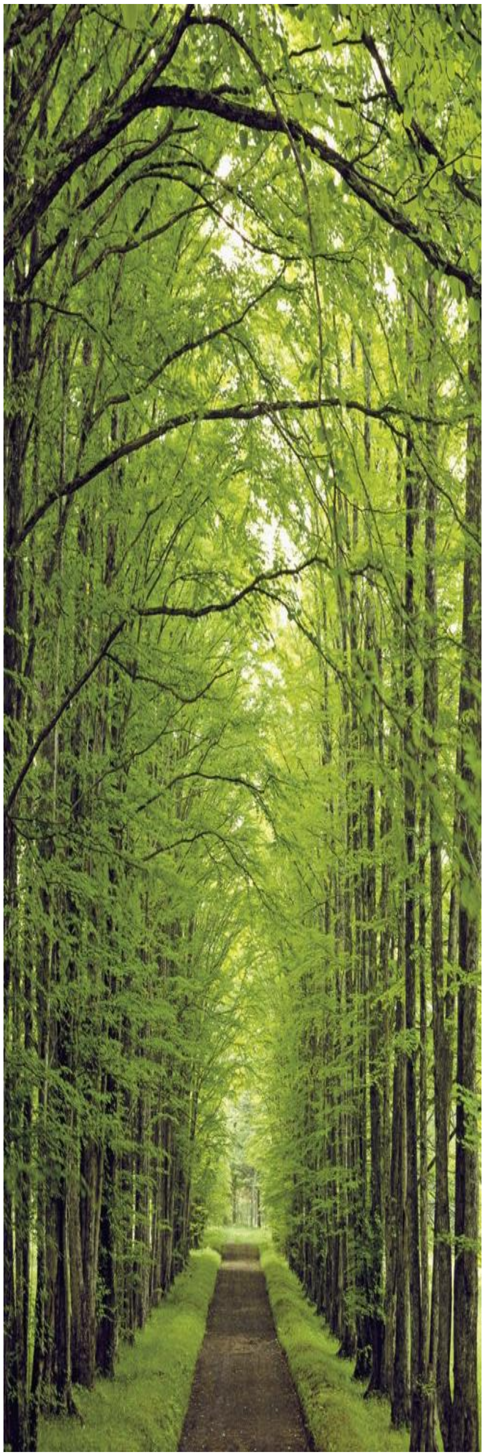
2014-2015 ANNUAL REPORT

Nova Scotia Health Organizations Protective Association



Mission

Our mission is to provide sustainable comprehensive risk management products and services to support our members in achieving their quality and safety aims

Vision

Growing in strength as the preferred provider of strategic risk management solutions

Values

In carrying out our mission, NSHOPA's Board, staff and volunteers will strive to be:

Member-focused—with programs and services that proactively support and add value to our members' risk management efforts

Solution-oriented—with innovative and practical tools and approaches that are affordable and responsive to the changing risk management needs of our members

Informed—with an emphasis on best practice and evidence-based decision-making

Accountable—with member communication and engagement practices that foster trust and confidence in our organization and its direction

TABLE OF CONTENTS

Subscribing Members

Annapolis Valley District Health Authority

Cape Breton District Health Authority

Capital District Health Authority

Colchester East Hants Health Authority

Cumberland Health Authority

Guysborough Antigonish Strait Health Authority

Health Association Nova Scotia

Emergency Health Services

Izzak Walton Killam Health Centre

Nova Scotia Hospital

Pictou County Health Authority

Queen Elizabeth II Health Sciences Centre

South Shore District Health Authority

South West Nova District Health Authority

St. Anne Community and Nursing Care Centre

Message from the Chair

Catherine Gaulton

As Chair of Nova Scotia Health Organizations Protective Association (NS HOPA), I am pleased to present the 2014-2015 Annual Report on behalf of the Board of Directors.

NS HOPA was established in 1992 and since that time has provided risk management resources for Subscribing Members. In consultation with Subscribing Members, areas for enhanced risk management services were identified, and the Board determined that the delivery of these services should be offered under a revised reciprocal structure. This was accomplished with the sale of the insurance program, effective March 1st, 2015, to a newly formed reciprocal exchange. In conjunction with the restructuring, NS HOPA increased the amount of insurance that it is providing directly to Subscribing Members on a not-for-profit basis, and added the capacity to participate in Subscribing Members' property insurance programs. In consultation with the appointed actuary, the board approved a premium credit to Subscribing Members in excess of $2.75 million for the 2014-15 insurance policy premiums.

By design, Subscribing Members will see little outward change with the move to the new reciprocal; regulators allowed the new reciprocal to use the same name, staff and premises remain the same, and the current directors have accepted appointments to the board of the new reciprocal, allowing NS HOPA to transition seamlessly and at minimal operational cost. We anticipate that the remaining work to wind up NS HOPA will be completed following the September Annual General Meeting.

As part of the due diligence on the sale transaction, Deloitte prepared audited financial statements for the closing balance as at February 28th, and also as at fiscal year end March 31st, 2015. I am pleased to report that unqualified opinions were issued for both audited financial statements which start at page 8 of this Report.

In February, long-time director David MacKenzie resigned from the board upon his retirement from Guysborough Antigonish Strait Health Authority. David joined the board in 2001, serving on the Finance and Nominating committees, chair from 2009 to 2011 and past chair until his retirement. As chair, David was instrumental in initiating a program review in 2009 that resulted in subsequent strategic organizational growth. I would also like to thank Bruce Belyea, who retired from Cumberland District Health Authority and the Board in November 2014, for his years of service and significant contributions to the board, as Treasurer, and to the Finance Committee.

Last but not least, thank you to the members of the board for their work and dedication, in particular on the complex task of overseeing the sale of the insurance program. On behalf of the board, I extend our appreciation to the staff of NS HOPA for their dedicated work.

Report of the CEO

Deborah Rozee

FINANCIAL POSITION

There were several significant events impacting NS HOPA's financial position as at March 31st, 2015:

- Increased the self-retention effective April 1st, 2014;
- Premium holiday declared for 2014-2015; and
- Sale of the insurance program effective March 1st, 2015.

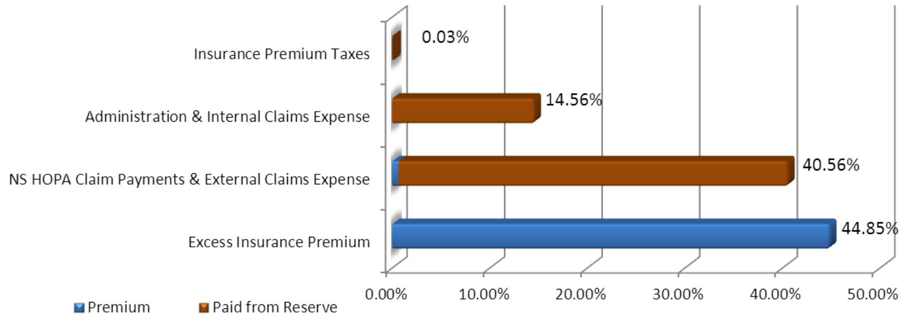
Effective April 1st, 2014, the limit of insurance provided by NS HOPA increased to $750,000 per claim, subject to a $3,500,000 annual aggregate. NS HOPA provides liability insurance on a non-profit basis. By increasing the self-retention a greater volume of premium is written without profit margin. It also provides a greater impact on premium stability and increases NS HOPA's control over the claims' process. The move to a higher self-retention was made in consultation with the appointed actuary.

Table 1 SIR / ANNUAL AGGREGATE

Year	Per Claim	Annual Aggregate
1992 to 1996	50,000	800,000
1996 to 2008	75,000	800,000
2008 to 2010	100,000	1,000,000
2010 to 2014	500,000	2,000,000
April 1, 2014	750,000	3,500,000

A premium holiday was declared to 2014-2015. As at February 28th, 2015, Members' Net Assets had decreased by $2,178,519, from $3,940,700 to $1,762,181; primarily due to the premium holiday income reduction of $2,591,026 over the previous year. The annual cost of operations and claims expenses were paid out of surplus.

Table 2 ALLOCATION OF 2014-15 SURPLUS and EXCESS PREMIUM



The audited Financial Statements begin on page 8. An audit was conducted as at February 28th, 2015 (11 months) for the purposes of the sale transaction. There was a decrease in assets of $1,437,555; and liabilities increased by $740,964; for a decrease in Members' Net Assets of $2,178,519, which was anticipated as it is primarily the result of the decision not to charge the 2014 premium, estimated at approximately $2.7M.

The twelve month audited Financial Statements for the period ending March 31, 2015 begin at page 26. On March 1, 2015 assets totaling $8,949,915 were transferred to a new reciprocal exchange in exchange for the assumption of NS HOPA's liabilities in the amount of $7,307,000. As at March 31, 2015, assets decreased by $10,422,571 from $10,543,874 to $121,303; liabilities decreased by $6,578,490 from $6,603,174 to $24,684; and Members' Net Assets decreased by $3,844,081, from $3,940,700 to $96,619.

CLAIMS and RISK MANAGEMENT

The number of claim files opened during 2014 remains stable and within expected values. There was an increase in the total incurred of approximately $4.3M (Table 3 below), the majority of which is reserves set aside for future claim payments.

Table 3 TOTAL INCURRED and CLAIMS VOLUME 2005 – 2014

	At Feb 28, 2015	At Mar 31, 2014
Amount Paid and Reserved	**$18,079,478**	**$13,768,508**
Number of Open Claims	346	431
Number of Closed Claims	1,033	805
Total Number of Claims	1,379	1,236

One emerging area of litigation is class action suits. Although class action suits have been available to plaintiffs for a number of years, we are only recently seeing an uptake in these claims, which tend to have higher than average defence costs.

Table 4 shows the total cost of claims (NS HOPA and excess insurer combined) for each policy year at fiscal year-end.

Table 4 YEAR OVER YEAR CHANGE IN TOTAL CLAIM COST BY POLICY YEAR FOR THE 10 YEAR PERIOD 2005 – 2014* AS AT FEBRUARY 28, 2015

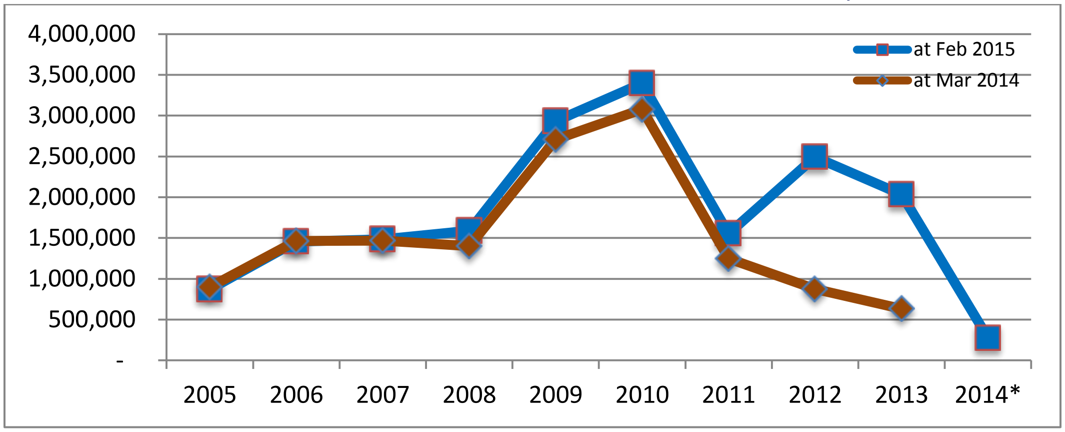


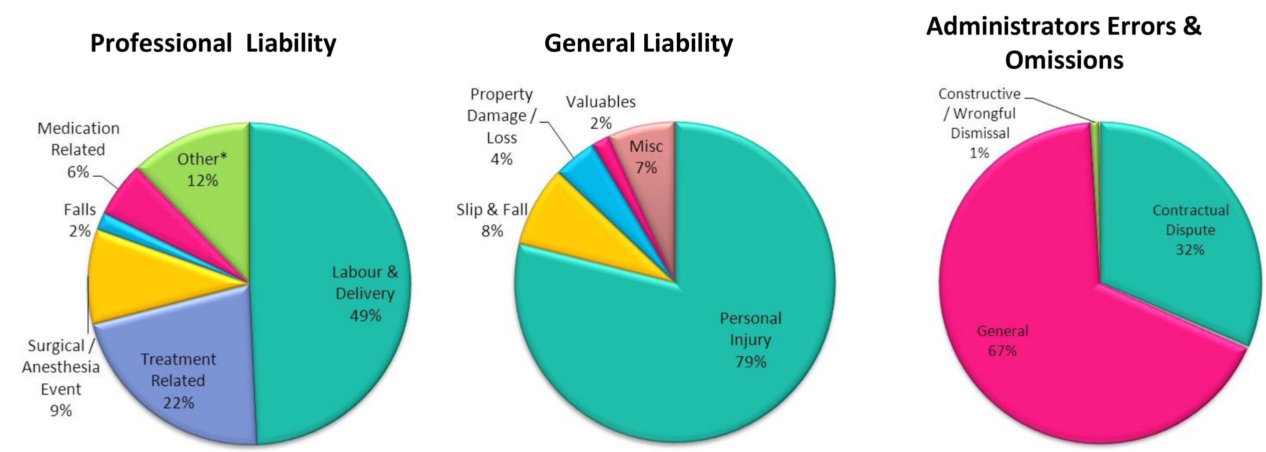
Table 5 compares the costs incurred for each insurance coverage in the last year, and over the last five years. Professional Liability is consistently the highest cost, followed by General Liability and then Administrators Errors & Omissions.

Table 5 TOTAL COST BY COVERAGE FOR 2014
AS AT FEBRUARY 28, 2015

	2014 (1 Year)	2010 to 2014 (5 Years)
Professional Liability	93%	82%
General Liability	7%	13%
Administrators Errors & Omissions	0%	6%

To further breakdown the information provided above, Table 6 shows the relationships of causalities within each insurance coverage over the last five years.

Table 6 BREAKDOWN OF TOTAL COSTS BY CLAIMS
FOR THE 5 YEAR PERIOD 2010 – 2014
AS AT FEBRUARY 28, 2015



**Other: Aggression; Blood Transfusion; Equipment Failure; General; Informed Consent; Patient Transport*

NS HOPA hosted a Risk Management Seminar for Subscribing Members in June 2014 including sessions on Trending in Claims; Slip & Fall Claims; Privacy Breaches; and The Litigation Process with a Focus on Clinical Documentation with a mock Discovery. Many of the sessions were recorded and provided to Subscribing Members on USB with an offer of assistance with any subsequent in-house training/education.

NS HOPA also issued a Risk Management Bulletin, entitled “Dealing with Outside Contractors”. This bulletin, as well as previous bulletins, is available on the NS HOPA website at www.nshopa.ca, or by email to inquiries@nshopa.ca. The next bulletin to be issued will be on Certificates of Insurance.

Report of the Actuary

Axxima
Actuaries and Insurance Management Advisors

REPORT OF THE ACTUARY

Role of Actuary

The actuary is appointed by the Board of the Nova Scotia Health Organizations Protective Association (the "Association"). The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. The actuary is also required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Association. Examination of supporting data for accuracy and completeness and consideration of the Association's assets are important elements of the work required to form this opinion.

Policy liabilities include unearned premiums, unpaid claims and adjustment expenses, the reinsurers' share of unearned premiums and unpaid claims and adjustment expenses, deferred premium acquisition costs, premium deficiency and retrospective adjustments. The actuary uses the work of the external and internal auditors in verifying data used for valuation purposes.

Appointed Actuary's Report

To the Subscribers of the
Nova Scotia Health Organizations Protective Association

I have valued the policy liabilities of the Nova Scotia Health Organizations Protective Association for its statement of financial position at February 28, 2015 and their changes in the statement of comprehensive 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 policy liabilities makes appropriate provision for all policy obligations and the financial statements fairly presents the results of the valuation.

Longueuil, Québec
May 27, 2015

Julie-Linda Laforce
Fellow, Canadian Institute of Actuaries

192 St Jean Road, Suite 202, Longueuil, Quebec J4H 2X5
Tel. 1.450.646.2500 | Fax. 1.855.529.9462 | Web. www.axxima.ca

Auditor’s Report

Financial Statements of

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

11 months period ended
February 28, 2015

Deloitte.

Deloitte LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

Tel: 902-422-8541
Fax: 902-423-5820
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of
Nova Scotia Health Organizations Protective Association

We have audited the accompanying financial statements of Nova Scotia Health Organizations Protective Association, which comprise the statement of financial position as at February 28, 2015 and the statement of operations and comprehensive (deficiency) income, statement of members' net assets and statement of cash flows for the eleven month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Nova Scotia Health Organizations Protective Association as at February 28, 2015 and its financial performance and its cash flows for the eleven month period then ended, in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
Halifax, Nova Scotia
June 24, 2015

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Table of Contents
February 28, 2015

	Page

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Statement of Operations and Comprehensive (Deficiency) Income
Period Ended

	11 month period ended February 28, 2015	12 month period ended March 31, 2014
	$	$
Net premiums (deficiency) income (Schedule 1)	**(1,106)**	2,589,920
Claim and expense payments		
Legal	**819,136**	708,127
Adjuster	**180**	50,964
Damages	**760,518**	33,960
	1,579,834	793,051
Change in provision for unpaid claims and expenses	**759,000**	1,270,000
Total claims and expenses	**2,338,834**	2,063,051
Net underwriting (deficiency) income	**(2,339,940)**	526,869
Administrative expenditures		
Administrative – salaries and benefits	**326,898**	347,361
Actuarial fees	**47,967**	28,523
Professional fees	**40,680**	80,939
Premises	**23,969**	25,985
Dues and fees	**14,618**	13,489
Contracted services	**13,868**	15,723
Office expenses	**8,874**	9,820
Risk management	**8,289**	6,475
Travel and meetings	**6,746**	10,432
Professional development	**2,916**	3,906
Insurance	**1,963**	1,895
Licenses and registration	**1,963**	627
Telephone and internet	**1,380**	1,536
Amortization	**1,305**	2,034
Consulting fees	**575**	4,020
Board recovery	**-**	(3,271)
Interest and bank charges	**-**	13
	502,011	549,507
Deficiency receipts from operations	**(2,841,951)**	(22,638)
Investment gain net of expenditures of $43,691 (2014 - $43,122)	**83,964**	137,060
(Deficiency) excess income for the year	**(2,757,987)**	114,422
Other comprehensive income		
Unrealized gain on available-for-sale investments	**579,468**	565,071
Total comprehensive (deficiency) income for the year	**(2,178,519)**	679,493

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Statement of Financial Position
As at

	February 28, 2015	March 31, 2014
	$	$
ASSETS		
Current assets		
Cash	**2,861,551**	4,941,051
Investments (Note 5)	**6,135,902**	5,492,413
Short term investments	**104,246**	101,122
Accounts receivable	**1,180**	2,461
Interest receivable	**-**	150
Prepaid expenses	**-**	1,932
	9,102,879	10,539,129
Office and computer equipment (Note 6)	**3,440**	4,745
	9,106,319	10,543,874
LIABILITIES		
Accounts payable and accrued liabilities	**37,138**	55,174
Provision for unpaid claims and expenses (Note 7)	**7,307,000**	6,548,000
	7,344,138	6,603,174
MEMBERS' NET ASSETS		
Restricted reserve fund	**14,008**	1,363,500
Restricted guarantee fund	**50,000**	50,000
Accumulated other comprehensive income	**1,967,421**	1,387,953
Unrestricted	**(269,248)**	1,139,247
	1,762,181	3,940,700
	9,106,319	10,543,874

The accompanying notes are an integral part of these financial statements

Page 2 of 15

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Statement of Cash Flows
Period Ended

	11 month period ended February 28, 2015	12 month period ended March 31, 2014
	$	$
Operating activities		
Cash receipts from net premiums	**(1,106)**	2,589,920
Interest received	**19,943**	33,188
Payments for claims	**(1,579,834)**	(793,051)
Payments for administrative expenditures	**(518,503)**	(555,699)
	(2,079,500)	1,274,358
(Decrease) increase in cash during year	**(2,079,500)**	1,274,358
Cash, beginning of year	**4,941,051**	3,666,693
Cash, end of year	**2,861,551**	4,941,051

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Statement of Members' Net Assets
Period Ended

	Restricted Reserve Fund	Restricted Guarantee Fund	Accumulated Other Comprehensive Income	Unrestricted	Total
	$	$	$	$	$
	Note 9	**Note 9**			
Balance on March 31, 2013	1,299,500	50,000	822,882	1,088,825	3,261,207
Transfer to Reserve Fund	64,000	-	-	(64,000)	-
Excess income	-	-	-	114,422	114,422
Change in unrealized gain on available-for-sale investments	-	-	565,071	-	365,071
Balance on March 31, 2014	1,363,500	50,000	1,387,953	1,139,247	3,940,700
Transfer to Reserve Fund	**(1,349,492)**	**-**	**-**	**1,349,492**	**-**
(Deficiency)	**-**	**-**	**-**	**(2,757,987)**	**2,757,987**
Change in unrealized gain on available-for-sale investments	**-**	**-**	**579,468**	**-**	**579,468**
Balance on February 28, 2015	**14,008**	**50,000**	**1,967,421**	**(269,248)**	**1,762,181**

The accompanying notes are an integral part of these financial statements

1. GENERAL

Nova Scotia Health Organizations Protective Association (the "Association") was incorporated under the Societies Act of Nova Scotia on March 10, 1992. The Association conducts a program to provide self-insurance for liability claims against its members. The registered office of the Association is 2 Dartmouth Road, Bedford, Nova Scotia, B4A 2K7.

The professional and general liability program covers claims and expenses up to a maximum retention of $750,000 (2014 – $500,000) per claim or $3,212,329 (2014 – $2,000,000) in aggregate for each policy year. Excess insurance is arranged on behalf of the members to provide program coverage to a limit of $15,000,000 per occurrence.

The Association is a not-for-profit organization under the Income Tax Act, as such is not subject to either federal or provincial income taxes.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The presentation and functional currency are in Canadian dollars. The financial statements have been prepared on the historical cost basis, except for available-for-sale assets that are measured at fair value at the end of each reporting period as discussed further under the Financial Instruments significant accounting policy in Note 3.

These financial statements were authorized for issuance by the Board of Directors of the Association on June 24, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods mentioned in these financial statements, including comparative periods.

Insurance premiums

Insurance premiums are recognized as revenue over the insurance policy period. The policy period is the eleven month ended February 28, 2015; as a result, there are no unearned premiums as at February 28, 2015.

Policy acquisition expenses

The Association defers brokers' commissions, excess insurance premiums and premium taxes relating to premiums written. The costs are expensed as the related premiums are earned. The policy period for the expenses noted above is the eleven month period ended February 28, 2015; therefore there are no deferred acquisition expenses at February 28, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment income

Investment income includes interest income and realized gains and losses which are determined on an average cost basis. Other investment income is recognized as revenue when earned. The investments held are highly liquid.

Short term investments

Short term investments consist of a flexible guaranteed investment certificate ("GIC") with Canadian Imperial Bank of Commerce earning interest of 0.80% (2014 – 0.75%).

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Association's designation of such instruments.

Asset/ Liability	**Classification**	**Measurement**
Cash	Loans and receivables	Amortized cost
Short-term investment	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Provision for unpaid claims and expenses	Other financial liabilities	Amortized cost

Fair value through profit or loss ("FVTPL")

Financial instruments in this category are recognized initially and subsequently at fair value. Upon initial recognition of financial assets or financial liabilities in this category, attributable transactions costs are recognized in profit or loss as incurred. Gains or losses arising from changes in fair value are presented in income in the period in which they arise. The Association derecognizes a financial liability in this category when its contractual obligation is discharged or cancelled or expired. Financial liabilities at FVTPL are classified as current.

Available-for-sale financial assets ("AFS financial assets")

AFS financial assets are traded in an active market and are stated at fair value at the end of each reporting period. Changes in the carrying value of AFS financial assets are recognized and accumulated in other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables

Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Other Liabilities

Other liabilities are subsequently measured at amortized cost using the effective interest method and include all financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the financial asset's original effective interest rate.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash

Cash consists of cash on hand and balances with financial institutions.

Office and computer equipment

Office and computer equipment are recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in net income and is recognized at 30% per annum on the declining balance basis. Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Capital management

The Association views capital as the members' net assets which as at February 28, 2015 was $1,762,181 (2014 - $3,940,700). The Association's objective for the management of net assets is the prudent operation of the reciprocal and to provide for stability of the premium charged to members over the long term. The Association is developing a surplus management policy.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Association is regulated by the Superintendent of Insurance of Nova Scotia. Pursuant to the Insurance Act of Nova Scotia, the regulated minimum reserve is $64,008 (2014 – $1,413,500) which is comprised of a Restricted Reserve Fund of $14,008 (2014 – $1,363,500) plus a Restricted Guarantee Fund of $50,000 (2014 - $50,000). The Restricted Reserve Fund is calculated at 50% of the gross premium receipts minus the cost of excess insurance (Note 9).

The Association's surplus adequacy is evaluated regularly by the appointed actuary.

Future accounting changes

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued in 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39.

The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

The Association is currently assessing the impact of adopting IFRS 9 on the Financial Statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make critical judgments, estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events, or uncertainties that management believes will materially affect the methodology or assumptions utilized in making these estimates and judgments in the financial statements.

The estimation of the provisions for unpaid claims is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered by the Association

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS (continued)

in estimating the amount that will ultimately be paid on these claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information or significant changes in severity or frequency of claims from historical trends. The estimates are based on the Association's historical experience and industry experience.

5. FINANCIAL INSTRUMENTS

Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Association's financial instruments fall under Level 1. There have been no classifications into or out of Level 2 or Level 3.

	February 28, 2015		March 31, 2014	
	Cost	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Investments	**3,593,701**	**6,135,902**	4,104,661	5,492,413

The unrealized gain at February 28, 2015 is $1,967,421 (2014 – $1,387,953) and is included in other comprehensive income.

6. OFFICE AND COMPUTER EQUIPMENT

	28-Feb-15			31-Mar-14
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$	$	$	$
Office equipment	**14,166**	**11,918**	**2,248**	3,101
Computer equipment	**6,277**	**5,085**	**1,192**	1,644
Total	**20,443**	**17,003**	**3,440**	4,745

7. PROVISION FOR UNPAID CLAIMS AND EXPENSES

In the Association's actuarial report dated March 12, 2015, the actuarial policy liability was projected at $7,307,000 on a net discounted basis, including a provision for adverse deviation. Without a provision for adverse deviation, the actuarial policy liabilities would be $6,557,000 on a net discounted basis and $6,890,216 on an undiscounted basis.

Claim liabilities are estimates subject to variability and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information or significant change in severity of the claim.

Since the claims liabilities are based on estimates of future trends in claim severity and other factors which could vary as the claims are settled, the ultimate liability may be more or less than the estimated amounts. As adjustments to these estimates become necessary, they are reflected in the statement of operation in the year determined.

	2015	2014
	$	$
Provision for unpaid claims and expenses, beginning of year	**6,548,000**	5,278,000
Current year's policy liabilities incurred	**2,338,834**	2,063,051
Claim and expense payments made during the year	**(1,579,834)**	(793,051)
Provision for unpaid claims and expenses, end of year	**7,307,000**	6,548,000

The actuarial assumptions used have been selected based on the program's experience to date. The provision for claims liabilities is discounted using rates based on the projected investment income from the assets supporting the provision, and reflecting the estimated timing of payments and recoveries. The discount rate used in the February 28, 2015 valuation was 2% (2014 – 0.75%)

8. RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its investments.

Currency risk

Currency risk is the risk to the Association's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on investments held inside the Balanced Fund. The Association does not use derivative instruments to reduce its exposure to foreign currency risk.

Credit risk

Credit risk arises from the potential that a member or excess insurer will fail to perform its obligations resulting in financial loss to the Association. In order to reduce its credit risk, the Association initiates a review of any new member and relies on the broker to assess the excess insurer's credit performance. Management considers there to be no significant credit risk as at February 28, 2015.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they become due. The Association is exposed to liquidity risk in its ability to finance its working capital requirements, meet its cash flow needs including payments for claims and payments for administrative expenditures. Liquidity requirements are met primarily through funds generated from operations. To meet cash requirements, the Association hires actuaries to estimate the future claims and expenses to be paid as well make recommendations on the premiums that should be charged in order to make its cash requirements. The association also holds a short term cashable GIC investment that can also be used to meet short-term cash flow needs. Given the Association's currently available liquid resources as compared to its contractual obligations, management assesses the Association's liquidity risk to be low.

8. RISK MANAGEMENT (continued)

The Association has the following financial liabilities as at February 28, 2015:

	Less than one year	2016	2017	2018 and thereafter
	$	$	$	$
Unpaid claims and adjustment expenses	2,100,666	1,550,788	1,231,065	2,424,481
Accounts payable and and accrued liabilities	37,138	-	-	-
	2,137,804	1,550,788	1,231,065	2,424,481

The Association has the following financial liabilities as at March 31, 2014:

	Less than one year	2015	2016	2017 and thereafter
	$	$	$	$
Unpaid claims and adjustment expenses	1,583,987	1,432,111	1,187,552	2,344,350
Accounts payable and and accrued liabilities	55,174	-	-	-
	1,639,161	1,432,111	1,187,552	2,344,350

Insurance risk

The principal risk the Association faces under the insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the Association's objective is to ensure there are sufficient reserves to cover these liabilities.

Pricing of the policy is based on assumptions in regards to trends and past experience, in an attempt to correctly match premium revenue with risk exposure. There is an inherent concentration risk as the Association's mandate is to provide self-insurance for liability claims against its members which are all part of the same geographical region of Nova Scotia and all in the same industry.

8. RISK MANAGEMENT (continued)

Insurance risk (continued)

The Association mitigates the above noted risk exposure by engaging another primary insurer to cover losses in excess of the maximum retention amount outlined in Note 1. The Association is also alleviated due to the nature of the reciprocal, and that the members share in the losses. This is enforced through the subscribers' agreement which allows the Association to levy premiums on prior years if it is subsequently determined that the Association is underfunded on those years.

Sensitivity analysis

The net assets are not subject to a great degree of sensitivity from the risks associated with insurance contracts, as the Association engages another primary insurer to cover the losses above the active layer. Therefore, the Association collects premiums only on what it expects to pay. The relevant risk variable that is reasonably possible at the end of the reporting period falls out of the scope of liability covered by the Association.

Claims development tables

The estimation of claim development involves assessing the future behavior of claims, taking into consideration the consistency of the Association's claim handling procedures, the amount of information available, and historical delays in reporting claims.

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim year 2008 to 2015.

In 2012, the year of adoption of IFRS, only information from periods beginning on or after April 1, 2007 are required to be disclosed. This is increased in each succeeding year, until ten years of information is included.

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

Notes to the Financial Statements

February 28, 2015

8. RISK MANAGEMENT (continued)

Claims development tables (continued)

	Policy Year								
	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	Total as at February 28, 2015
Estimate of net ultimate claims and adjustment expenses as at:									
December 31, 2008	$800,000	$750,000							
December 31, 2009	800,000	1,000,000	$750,000						
December 31, 2010	800,000	1,000,000	1,000,000	$1,500,000					
December 31, 2011	800,000	1,000,000	1,000,000	1,589,020	$1,500,000				
December 31, 2012	800,000	1,000,000	1,000,000	1,391,001	1,761,697	$1,500,000			
December 31, 2013	800,000	1,000,000	1,000,000	1,589,201	1,689,948	1,613,001	$1,500,000		
March 31, 2014	800,000	1,000,000	1,000,000	1,584,345	1,655,079	1,552,509	1,905,392		
February 28, 2015	800,000	1,000,000	1,000,000	1,851,191	1,723,784	1,633,204	2,000,000	1,756,553	$11,764,732
Direct cumulative claims and adjustment expense payments as at:									
December 31, 2008	$259,229	$51,232							
December 31, 2009	526,706	280,371	$117,758						
December 31, 2010	623,182	555,595	333,536	$93,872					
December 31, 2011	672,357	689,760	545,962	277,193	$89,269				
December 31, 2012	719,456	784,390	584,525	481,641	318,395	$31,816			
December 31, 2013	738,520	908,789	639,700	644,151	505,149	174,713	$63,515		
March 31, 2014	749,242	935,287	645,031	680,437	542,053	192,690	126,169		
February 28, 2015	759,923	1,000,000	703,230	784,456	918,445	416,964	730,706	22,265	$5,335,989
Net provision for policy years 2007/2008 through 2014/2015									$6,428,743
Net provision for policy years prior to 2007/2008									$89,910
Undiscounted unpaid claims and adjustment expenses, net of recoveries									$6,518,653
Unallocated loss adjustment expenses									371,563
Effect of discounting									(333,922)
Effect of provisions for adverse deviation									750,706
Unpaid claims and adjustment expenses, net of recoveries									$7,307,000

9. RESTRICTED RESERVE FUND AND GUARANTEE FUND

The Nova Scotia Insurance Act requires that 50% of the gross premium minus the cost of excess insurance be maintained as a Restricted Reserve Fund in cash or approved securities.

The Nova Scotia Insurance Act requires that $50,000 be maintained as a Restricted Guarantee Fund in cash or approved securities

10. SUBSEQUENT EVENTS

a. On March 1, 2015 the Association sold its liabilities and accompanying assets to a new unincorporated reciprocal exchange named Nova Scotia Health Organizations Protective Association ("New NSHOPA"). The agreed sale price was $8,949,915. Assets totaling this amount were transferred to New NSHOPA, in exchange for the assumption of the Association's liabilities having a book value of $7,307,000, resulting in a reduction in unrestricted members' net assets of $1,642,915. As of March 1, 2015, the legal obligation of the liabilities and the operations of the Association transferred to New NSHOPA.

b. On March 2, 2015, the Association redeemed the $104,246 GIC with Canadian Imperial Bank of Commerce.

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

Schedule 1

Net Premiums (Deficiency) Income

Period Ended

	February 28, 2015	March 31, 2014
	$	$
Gross premiums	**1,974,541**	5,070,356
Less		
Excess insurance premiums (Note 1)	**1,946,526**	2,343,356
Brokerage fees	**28,000**	28,000
Insurance premium taxes	**1,121**	109,080
	1,975,647	2,480,436
Net premiums (deficiency) income	**(1,106)**	2,589,920

Page 15 of 15

Financial Statements of

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

March 31, 2015

Deloitte.

Deloitte LLP
1969 Upper Water Street
Suite 1500
Purdy's Wharf Tower II
Halifax NS B3J 3R7
Canada

Tel: 902-422-8541
Fax: 902-423-5820
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of
Nova Scotia Health Organizations Protective Association

We have audited the accompanying financial statements of Nova Scotia Health Organizations Protective Association, which comprise the statement of financial position as at March 31, 2015 and the statement of operations and comprehensive (deficiency) income, statement of members' net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Nova Scotia Health Organizations Protective Association as at March 31, 2015 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants
Halifax, Nova Scotia
June 24, 2015

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Table of Contents
March 31, 2015

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Statement of Operations and Comprehensive (Deficiency) Income
Year Ended

	March 31, 2015	March 31, 2014
	$	$
Net premiums (deficiency) income (Schedule 1)	**(1,106)**	2,589,920
Claim and expense payments		
Legal	**819,136**	708,127
Adjuster	**180**	50,964
Damages	**760,518**	33,960
	1,579,834	793,051
Change in provision for unpaid claims and expenses	**759,000**	1,270,000
Total claims and expenses	**2,338,834**	2,063,051
Net underwriting (deficiency) income	**(2,339,940)**	526,869
Administrative expenditures		
Administrative – salaries and benefits	**344,245**	347,361
Actuarial fees	**47,967**	28,523
Professional fees	**43,730**	80,939
Premises	**23,969**	25,985
Dues and fees	**14,618**	13,489
Contracted services	**13,868**	15,723
Office expenses	**10,039**	9,820
Risk management	**8,289**	6,475
Travel and meetings	**7,920**	10,432
Professional development	**2,916**	3,906
Insurance	**1,963**	1,895
Licenses and registration	**1,963**	627
Telephone and internet	**1,396**	1,536
Amortization	**1,305**	2,034
Consulting fees	**575**	4,020
Interest and bank charges	**13**	13
Board recovery	**-**	(3,271)
	524,776	549,507
Deficiency receipts from operations	**(2,864,716)**	(22,638)
Investment (gain) loss net of expenditures of $43,691 (2014 - $43,122) (note 6)	**(2,051,503)**	137,060
(Deficiency) excess income for the year	**(813,213)**	114,422
Other comprehensive income		
Unrealized gain on available-for-sale investments	**-**	565,071
Total comprehensive (deficiency) income for the year	**(813,213)**	679,493

The accompanying notes are an integral part of these financial statements

Page 1 of 12

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Statement of Financial Position
As at

	March 31, 2015	March 31, 2014
	$	$
ASSETS		
Current assets		
Cash	**117,846**	4,941,051
Investments (note 5 & 6)	**-**	5,492,413
Short term investments (note 5)	**-**	101,122
Accounts receivable	**3,457**	2,461
Interest receivable	**-**	150
Prepaid expenses	**-**	1,932
	121,303	10,539,129
Office and computer equipment (note 7)	**-**	4,745
	121,303	10,543,874
LIABILITIES		
Accounts payable and accrued liabilities	**24,684**	55,174
Provision for unpaid claims and expenses (note 5)	**-**	6,548,000
	24,684	6,603,174
MEMBERS' NET ASSETS		
Restricted reserve fund	**-**	1,363,500
Restricted guarantee fund	**-**	50,000
Accumulated other comprehensive income	**-**	1,387,953
Unrestricted	**96,619**	1,139,247
	96,619	3,940,700
	121,303	10,543,874

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION
Statement of Cash Flows
Year Ended

	March 31, 2015	March 31, 2014
	$	$
Operating activities		
Cash receipts from net premiums	**(1,106)**	2,589,920
Interest received	**20,062**	33,188
Payments for claims	**(1,579,834)**	(793,051)
Payments for administrative expenditures	**(448,314)**	(555,699)
Sale to Nova Scotia Health Organizations Protective Association ("New NSHOPA") (note 5)	**(2,814,013)**	-
	(4,823,205)	1,274,358
(Decrease) increase in cash during year	**(4,823,205)**	1,274,358
Cash, beginning of year	**4,941,051**	3,666,693
Cash, end of year	**117,846**	4,941,051

The accompanying notes are an integral part of these financial statements

Page 3 of 12

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

Statement of Members' Net Assets

Year Ended

	Restricted Reserve Fund	Restricted Guarantee Fund	Accumulated Other Comprehensive Income	Unrestricted	Total
	$	$	$	$	$
Balance on March 31, 2013	1,299,500	50,000	822,882	1,088,825	3,261,207
Transfer to Reserve Fund	64,000	-	-	(64,000)	-
Excess income	-	-	-	114,422	114,422
Change in unrealized gain on available-for-sale investments	-	-	565,071	-	365,071
Balance on March 31, 2014	1,363,500	50,000	1,387,953	1,139,247	3,940,700
Transfer to Unrestricted Fund	**(1,363,500)**	**(50,000)**	**-**	**1,413,500**	**-**
Realized gain on transfer (note 6)	**-**	**-**	**(1,387,953)**	**-**	**(1,387,953)**
Deficiency	**-**	**-**	**-**	**(813,213)**	**(813,213)**
Sale to New NSHOPA	**-**	**-**	**-**	**(1,642,915)**	**(1,642,915)**
Balance on March 31, 2015	**-**	**-**	**-**	**96,619**	**96,619**

The accompanying notes are an integral part of these financial statements

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

Notes to the Financial Statements

March 31, 2015

1. GENERAL

Nova Scotia Health Organizations Protective Association (the "Association") was incorporated under the Societies Act of Nova Scotia on March 10, 1992. The Association conducts a program to provide self-insurance for liability claims against its members. The registered office of the Association is 2 Dartmouth Road, Bedford, Nova Scotia, B4A 2K7.

The professional and general liability program covers claims and expenses up to a maximum retention of $750,000 (2014 – $500,000) per claim or $3,212,329 (2014 – $2,000,000) in aggregate for each policy year. Excess insurance is arranged on behalf of the members to provide program coverage to a limit of $15,000,000 per occurrence.

The Association is a not-for-profit organization under the Income Tax Act, as such is not subject to either federal or provincial income taxes.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee.

The presentation and functional currency are in Canadian dollars. The financial statements have been prepared on the historical cost basis, except for available-for-sale assets that are measured at fair value at the end of each reporting period as discussed further under the Financial Instruments significant accounting policy in Note 3.

These financial statements were authorized for issuance by the Board of Directors of the Association on June 24, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods mentioned in these financial statements, including comparative periods.

Insurance premiums

Insurance premiums are recognized as revenue over the insurance policy period. The policy period is the eleven month period ended February 28, 2015; as a result of the transaction noted in Note 5, there were not additional premiums earned by the Association after February 28, 2015 and therefore there are no unearned premiums as at March 31, 2015.

Policy acquisition expenses

The Association defers brokers' commissions, excess insurance premiums and premium taxes relating to premiums written. The costs are expensed as the related premiums are earned. The policy period for the expenses noted above is the eleven month period ended February 28, 2015; therefore there are no deferred acquisition expenses at March 31, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment income

Investment income includes interest income and realized gains and losses which are determined on an average cost basis. Other investment income is recognized as revenue when earned. The investments held are highly liquid.

Short term investments

Short term investments consist of a flexible guaranteed investment certificate ("GIC") with Canadian Imperial Bank of Commerce earning interest of 0.80% (2014 – 0.75%).

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Association's designation of such instruments.

Asset/ Liability	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Short-term investment	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Provision for unpaid claims and expenses	Other financial liabilities	Amortized cost

<u>Fair value through profit or loss ("FVTPL")</u>

Financial instruments in this category are recognized initially and subsequently at fair value. Upon initial recognition of financial assets or financial liabilities in this category, attributable transactions costs are recognized in profit or loss as incurred. Gains or losses arising from changes in fair value are presented in income in the period in which they arise. The Association derecognizes a financial liability in this category when its contractual obligation is discharged or cancelled or expired. Financial liabilities at FVTPL are classified as current.

<u>Available-for-sale financial assets ("AFS financial assets")</u>

AFS financial assets are traded in an active market and are stated at fair value at the end of each reporting period. Changes in the carrying value of AFS financial assets are recognized and accumulated in other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in other comprehensive income is reclassified to profit or loss.

<u>Loans and receivables</u>

Loans and receivables are accounted for at amortized cost using the effective interest method less any impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other liabilities are subsequently measured at amortized cost using the effective interest method and include all financial liabilities.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the financial asset's original effective interest rate.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash

Cash consists of cash on hand and balances with financial institutions.

Office and computer equipment

Office and computer equipment are recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in net income and is recognized at 30% per annum on the declining balance basis.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Capital management

The Association views capital as the members' net assets which as at March 31, 2015 was $96,619 (2014 - $3,940,700). The Association's objective for the management of net assets is the prudent operation of the reciprocal and to provide for stability of the premium charged to members over the long term. The Association is developing a surplus management policy.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make critical judgments, estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events, or uncertainties that management believes will materially affect the methodology or assumptions utilized in making these estimates and judgments in the financial statements.

The estimation of the provisions for unpaid claims is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered by the Association in estimating the amount that will ultimately be paid on these claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information or significant changes in severity or frequency of claims from historical trends. The estimates are based on the Association's historical experience and industry experience.

5. SALE TO NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

On March 1, 2015, the Association sold its liabilities and accompanying assets to a new unincorporated reciprocal exchange named Nova Scotia Health Organizations Protective Association ("New NSHOPA"). The agreed sale price was $8,949,915. Assets totaling this amount were transferred to New NSHOPA, in exchange for the assumption of the Association's liabilities having a book value of $7,307,000, resulting in a reduction in unrestricted members' net assets of $1,642,915. As of March 1, 2015, the legal obligation of the liabilities and the operations of the Association transferred to New NSHOPA. As of March 1, 2015, the Association is no longer licensed with the Office of the Superintendent of Financial Institutions and is expected to wind up by the end of 2015.

Under the continuity of interest accounting, the liabilities and accompanying assets were transferred at their carrying values as at February 28, 2015. The carrying values of the net assets transferred are as follows:

5. SALE TO NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION (continued)

	$
Assets	
Cash	2,709,671
Investments	6,135,902
Short term investments	104,342
Total	8,949,915
Liabilities	
Provision for unpaid claims and expenses	7,307,000
Net Assets Sold	1,642,915

6. FINANCIAL INSTRUMENTS

Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Association's financial instruments fall under Level 1. There have been no classifications into or out of Level 2 or Level 3.

6. FINANCIAL INSTRUMENTS (continued)

	March 31, 2015		March 31, 2014	
	Cost	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Investments	**$ -**	**$ -**	4,104,661	5,492,413

The unrealized gain at March 31, 2015 is $nil (2014 – $1,387,953). As a result of the sale to New NSHOPA, a $1,387,953 gain was reclassified from Accumulated Other Comprehensive Income to the Statement of Operations and Comprehensive (deficiency) income.

7. OFFICE AND COMPUTER EQUIPMENT

	Cost	**Accumulated Amortization**	**Disposal**	**Net Book Value**	Net Book Value
	$	**$**	**$**	**$**	$
Office equipment	**14,166**	**11,918**	**2,248**	**-**	3,101
Computer equipment	**6,277**	**5,085**	**1,192**	**-**	1,644
Total	**20,443**	**17,003**	**3,440**	**-**	4,745

8. RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its investments.

Currency risk

Currency risk is the risk to the Association's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on investments held inside the Balanced Fund. The Association does not use derivative instruments to reduce its exposure to foreign currency risk.

8. RISK MANAGEMENT (continued)

Credit risk

Credit risk arises from the potential that a member or excess insurer will fail to perform its obligations resulting in financial loss to the Association. In order to reduce its credit risk, the Association initiates a review of any new member and relies on the broker to assess the excess insurer's credit performance. Management considers there to be no significant credit risk as at March 31, 2015.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they become due. The Association is exposed to liquidity risk in its ability to finance its working capital requirements, meet its cash flow needs including payments for claims and payments for administrative expenditures. Liquidity requirements are met primarily through funds generated from operations. Given the Association's currently available liquid resources as compared to its contractual obligations, management assesses the Association's liquidity risk to be low.

Sensitivity analysis

The net assets are not subject to a great degree of sensitivity from the risks associated with insurance contracts, as the Association engages another primary insurer to cover the losses above the active layer. Therefore, the Association collects premiums only on what it expects to pay. The relevant risk variable that is reasonably possible at the end of the reporting period falls out of the scope of liability covered by the Association.

NOVA SCOTIA HEALTH ORGANIZATIONS PROTECTIVE ASSOCIATION

Schedule 1

Net Premiums (Deficiency) Income

Year Ended

	March 31, 2015	March 31, 2014
	$	$
Gross premiums	**1,974,541**	5,070,356
Less		
Excess insurance premiums (note 1)	**1,946,526**	2,343,356
Brokerage fees	**28,000**	28,000
Insurance premium taxes	**1,121**	109,080
	1,975,647	2,480,436
Net premiums (deficiency) income	**(1,106)**	2,589,920

2014-2015 Board of Directors

NS HOPA's Board of Directors is a dedicated group of professionals from our various Subscribing Members as well as an outside director. In addition to serving on the Board, all members sit on at least one committee.

Arsenault, Greg	Risk Management Coordinator, CBDHA	Since 2013
Ashton, Steve	VP People and Organization Development, IWK	Since 2013
Belyea, Bruce	Director of Finance, CHA *(retired November 2014)*	Since 2011
Conrad, Paul	Actuary, Actuarial Expert Consulting	Since 2013
Gaulton, Catherine	VP Performance Excellence and General Counsel, CDHA	Since 2009
LeBlanc, Angela	Director Quality, Risk and Patient Safety, SWNDHA	Since 2012
MacKenzie, David	VP Operations, GASHA *(retired March 2015)*	Since 2001
Madill, Chris	Partner, Stewart McKelvey	Since 2011
Matthews, Wanda	Chief Financial Officer, AVDHA	Since 2011
Purcell-Cotnam, Cheryl	Manager, Primary Health Care Operations, DoHW	Since 2014
Snow, Cecil	Director Finance and *e*Information Management, CDHA	Since 2011

2014-2015 Board Committees

Executive Committee
Catherine Gaulton, Chair
Wanda Matthews, Vice Chair
Bruce Belyea, Treasurer *(retired Nov '14)*
David MacKenzie, Past Chair
Cecil Snow, Acting Treasurer
Deborah Rozee

Audit Committee
Chris Madill, Chair
Paul Conrad
Wanda Matthews
Deborah Rozee

Finance Committee
Bruce Belyea, Co-Chair *(retired Nov '14)*
Cecil Snow, Co-Chair
Steve Ashton
David MacKenzie
Catherine Gaulton
Deborah Rozee

Loss Prevention Advisory Council
Angela LeBlanc, Chair
Greg Arsenault
Cheryl Purcell-Cotnam
Deborah Rozee

Nominating Committee
David MacKenzie, Chair
Catherine Gaulton
Deborah Rozee

The Board extends their best wishes and deep appreciation to the following retired and/or retiring directors for their hard work and time:

Bruce Belyea joined the Board in 2011 and provided exceptional service as Treasurer/Co-Treasurer and Chair/Co-Chair of the Finance Committee up until his retirement from CHA in November 2014.

David MacKenzie has been a long-time, valued member of the board since 2001; including serving as the Vice-Chair, Chair, and Past-Chair of the Board, as well as Chair of the Nominating Committee and Executive Committee, and member of the Finance Committee and Governance Subcommittee. David retires from GASHA in April 2015.