

132ND ANNUAL REPORT



**Ayr Farmers
Mutual**
Insurance Company

www.ayrmutual.com

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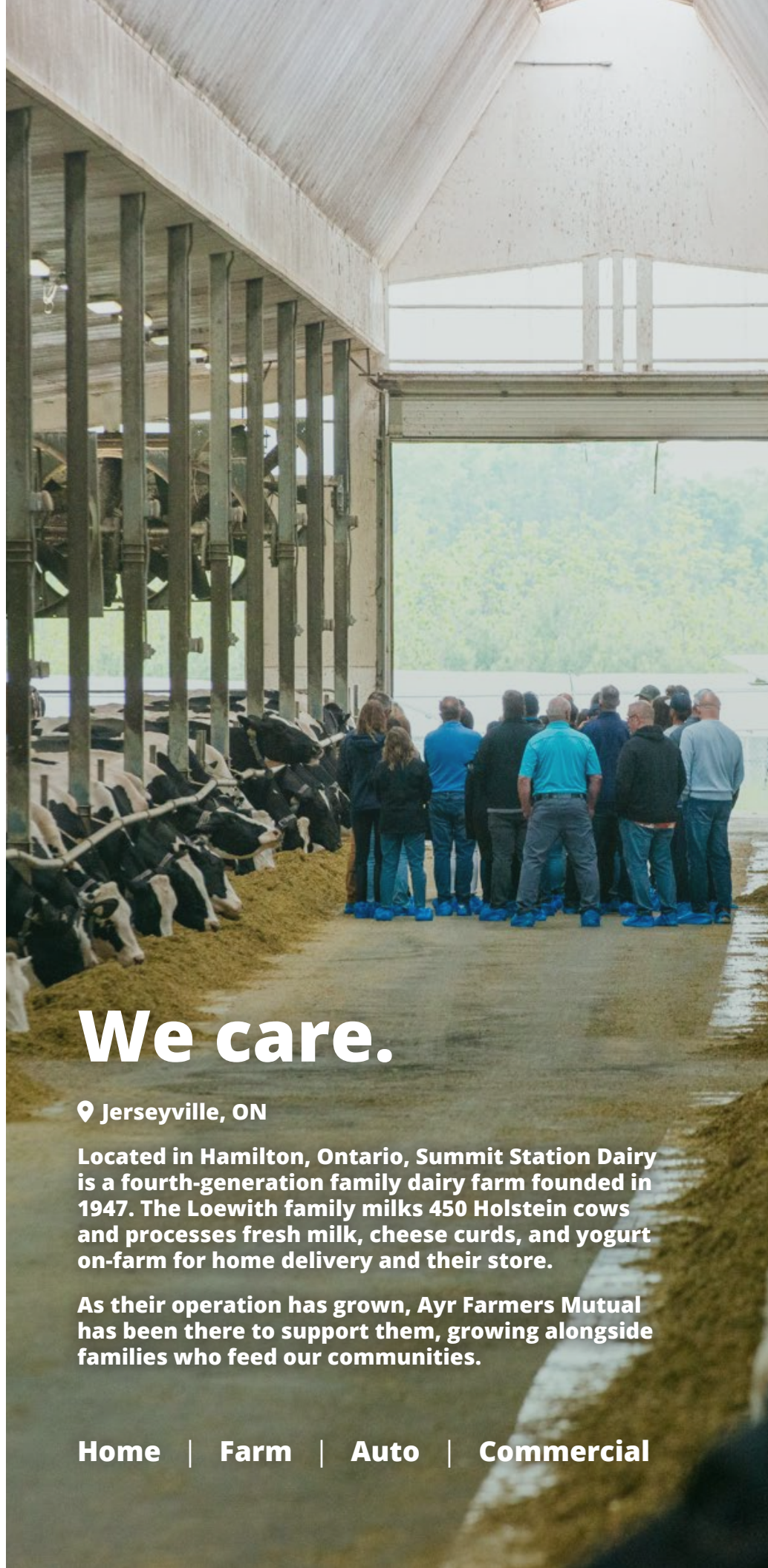
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Financial Statements, as
presented by Graham
Mathew Professional
Corporation
Enclosed in the Statements

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anniek@ayrmutual.com



We care.

📍 Jerseyville, ON

Located in Hamilton, Ontario, Summit Station Dairy is a fourth-generation family dairy farm founded in 1947. The Loewith family milks 450 Holstein cows and processes fresh milk, cheese curds, and yogurt on-farm for home delivery and their store.

As their operation has grown, Ayr Farmers Mutual has been there to support them, growing alongside families who feed our communities.

Home | Farm | Auto | Commercial



Trusted by you, for generations.

📍 St. George, ON

For generations, Ayr Farmers Mutual has insured families in St. George who are deeply rooted in their community. The Old Mill Cafe is one of those stories - a welcoming gathering place that's become a beloved part of the area.

Whether you have spotted them at the St. George Applefest or stopped in for a cup of coffee alongside locally made treats and crafts from area artisans, The Old Mill Cafe reflects a commitment to community that runs deep.

As their business has grown, we've been there to support them. We understand that small businesses are the heart of our communities, and we're committed to growing alongside the families who make our towns vibrant places to live and visit.

Home | Farm | Auto | Commercial

CHAIR'S MESSAGE



On behalf of your Board of Directors, I am pleased to present the following report highlighting the key activities and achievements over the past year.

Director Service

We wish to express sincere appreciation to past Director, Jason Vernooy, for his steadfast commitment and contributions for over eight years on our Board. We are grateful for his service.

Strategic Planning

This past year, your Board approved the Company's 2026-2028 strategic plan, with a focus on financial strength and organizational capabilities that continue to support our mission and vision, and reinforce our purpose: Together, we care for and support our members and communities to thrive. We are committed to ensuring AFM remains financially strong, operationally sound, and true to the values that have defined us for over 130 years. We are proud of the collective dedication shown by everyone across the organization as we pursue our shared objectives.

Supporting Sustainable and Social Initiatives

Environmental, Social, and Governance (ESG) remains a core strategic imperative. These principles are integrated into our strategy, risk management, and decision-making processes ensuring the Company's long-term value for our policyholders.

Fulfilling our social responsibilities is important to us. We continue to support our communities through initiatives, including the AFM Scholarship Program which directly supports children of policyholders in their educational pursuits, and the many contributions to local community organizations and charities. As a mutual and purpose-driven company, we give back to our communities when we can. We are proud of our recent partnership with the Township of North Dumfries in the naming rights of the Ayr Farmers Mutual Community Centre, as part of the North Dumfries Community Centre expansion, providing impactful funding and supporting our community for generations to come.

Effective Governance and Board Committees

The Board continues to ensure strong corporate governance. With the new robust committee structure implemented in 2025, we utilized director's expertise to focus on complex issues, diving deeper into critical areas such as internal controls, corporate policies and mandates, executive performance and succession, director compensation, and board succession. Committee work provides key guidance to the Board so that they can make key decisions, allowing for better oversight.

Oversight of Risk

Risk oversight is a fundamental Board responsibility. The Board reviews organizational risks throughout the year, including emerging risks, focusing on each major area on a quarterly basis to ensure comprehensive oversight.

Director Education

Directors continue to participate in ongoing training and education as the landscape continues to evolve, and governance expectations change. Three directors hold a Professional Director Designation through accredited organizations, and by the end of Q1 in 2026, all directors will have completed their Ontario Mutual Insurance Association's (OMIA) Director Certification.

Closing Remarks

Looking ahead, the Board is committed to advancing AFM's mission, vision, and strategic priorities. We are dedicated to fostering a culture of excellence, innovation, and inclusivity that empowers all members of our community to thrive.

AFM consistently demonstrates resilience and adaptability. The Board remains focused on ensuring AFM has the financial strength and stability to be here for you, not just this year, but for generations to come.

We thank management and staff for their dedication, hard work, and unwavering commitment to the success of the Company.

I thank our Board of Directors for their vital role, investing their time, expertise, and hard work in the oversight and success of the Company.

And, I thank you, our members and policyholders, for your continued trust and partnership.

Sincerely,

**AYR FARMERS MUTUAL INSURANCE
COMPANY**



Dave Thompson

Board Chair

PRESIDENT & CEO'S MESSAGE

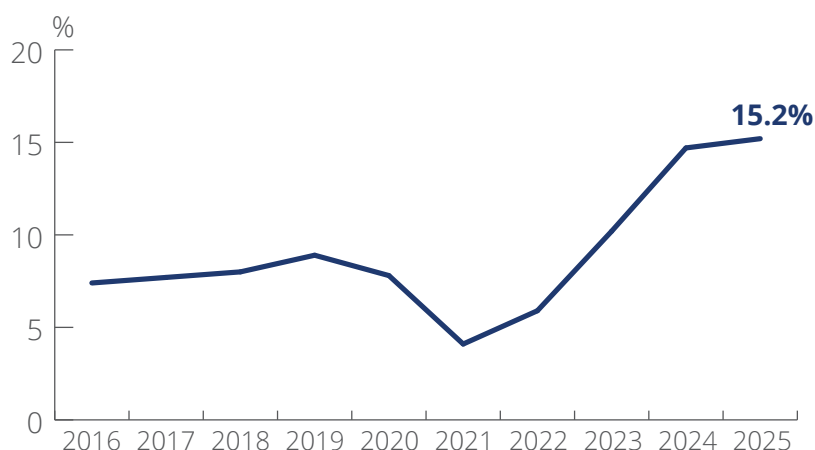


As I reflect on 2025, I am filled with pride for what we have accomplished together and gratitude for the trust you continue to place in Ayr Farmers Mutual Insurance Company. This was our first full year with our purpose statement: Together, we care for and support our members and communities to thrive. Our purpose continues to guide every decision we have made and every action we have taken throughout a year of remarkable growth, meaningful community investment, and unwavering commitment to those we serve.

A Year of Milestones

2025 marked the strongest premium growth in our company's history, with premiums reaching over \$60.7M, a 15.2% increase driven by insurance-to-value adjustments, competitive rating adjustments, and new policyholder business. This exceptional growth reflects not only the confidence our policyholders have in us, but also our dedication to ensuring they have the right coverage to protect what matters most.

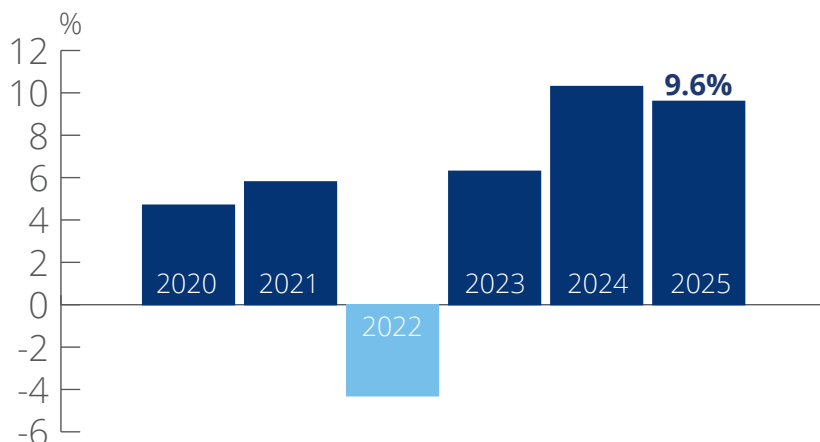
Gross Written Premium Growth



Our strategic vision remains clear and focused. This year, we refreshed our three-year strategic plan, positioning us to continue delivering exceptional service while adapting to the evolving needs of those we serve. As part of this evolution, we launched our new paperless option through the AFM Portal. This option gives policyholders the choice to reduce how much paper they receive from us, accessing their policy documents online anytime, or to keep things the same and receive a hard copy in the mail. We recognize that choice matters - hard copy documents will remain available for those who prefer them.

Strong investment returns throughout the period further strengthened our financial foundation, enabling us to maintain the stability and security our policyholders depend on.

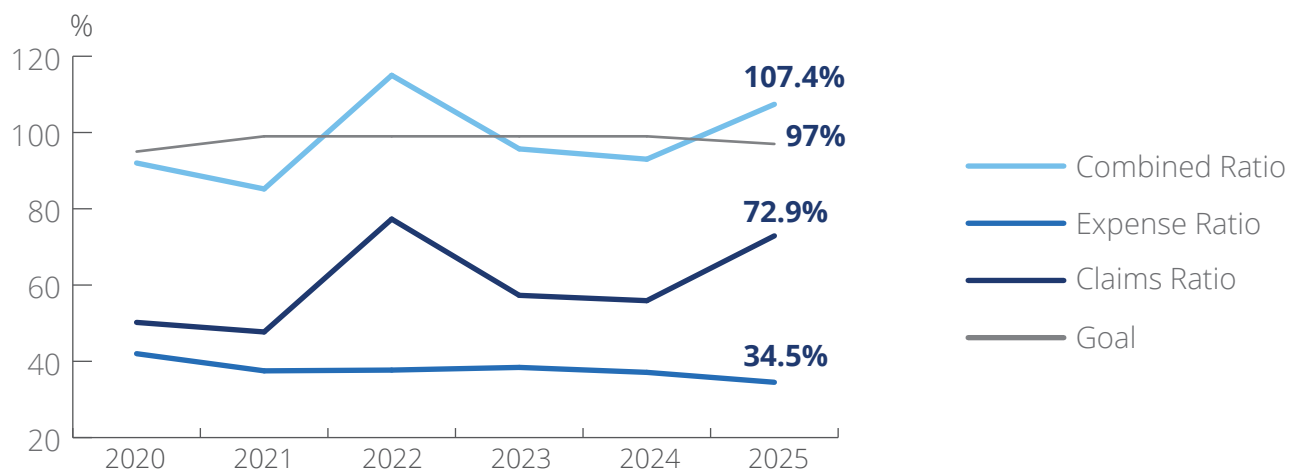
Investment Yield



Living Our Purpose When It Matters Most

2025 tested our resolve, having received the highest claims incurred we have experienced at \$37.2M making up 73% of our overall expenses. While operating expenses for the organization were well below budget, our combined ratio of 107.4%, indicates we were paying out \$1.07 to every \$1 we received in premiums.

Expense Ratio, Claims Ratio & Combined Ratio



Winter storms in the first quarter brought devastating building collapses, ice damming, and extensive water damage losses. These were followed by several significant automobile and fire losses throughout the year. While excessive claims are always challenging, they represent the moments when our purpose comes to life. Each claim was an opportunity to stand beside our members during their most difficult times, to provide the support they needed, and to demonstrate that we are more than an insurance company - we are their partner in recovery and resilience.

Despite these elevated losses, I am pleased to report a bottom-line profit of \$4.9M, due to strong investment returns during the year. A testament to our approach of long-term financial management, and the strength of our business model.



Investing in Our Community

This year, we made one of the most significant community commitments in our history. Through our naming rights partnership with the Township of North Dumfries and North Dumfries Community Complex, we proudly welcomed the Ayr Farmers Mutual Community Centre to our community. Starting in 2026, this \$600,000 commitment over 40 years represents more than a sponsorship - it embodies our deep roots in this region and our enduring dedication to creating spaces where our neighbours can gather, connect, and thrive.

The Heart of Our Success

None of our achievements would be possible without the incredible people who make up the Ayr Farmers Mutual family. Our team delivered exceptional service day in and day out, particularly during the challenging claims environment we faced. Our agents and brokers remained steadfast partners, connecting us with customers who share our values.

Together, our team contributed over 1500 volunteer hours in 2025, shattering our goal of 525 hours and demonstrating the spirit of service that defines our culture. We supported over 80 community organizations to live out their purpose, further strengthening our commitment to seeing our communities thrive.

As we look toward the future, I am confident that the foundation we have built - rooted in financial strength, community commitment, and genuine care for the people we serve - will continue to guide us forward.

A Message of Appreciation

On behalf of the entire board and management team, I extend my heartfelt gratitude to our employees, agents, policyholders, brokers, and stakeholders for the unwavering support and trust you have shown throughout 2025. Your dedication and confidence in Ayr Farmers Mutual have been instrumental to our continued success and resilience in an ever-changing environment.

We are more than just an insurance company - we are a community united by shared values and a commitment to protecting what matters most. It is this sense of partnership and mutual purpose that strengthens us and sets us apart.

As we look ahead, we do so with renewed confidence and optimism. The strong foundation we have built together, combined with our shared vision, positions us well to meet the opportunities and challenges that lie before us. Together, we will continue to grow, adapt, and thrive.

Thank you for allowing us to be part of your lives and for trusting us to protect what you have worked so hard to build.

Mutually yours,

AYR FARMERS MUTUAL INSURANCE COMPANY



Jeff Whiting, CIP

President & Chief Executive Officer





We make insurance personal.

📍 Lynden, ON

Located a few minutes from St. George, First Nature Nursery is operated by the Roorda family, who specialize in growing high-quality trees for a wide range of purposes. They grow thousands of caliper evergreens ranging from 4 to 8 feet, offering both custom-dug trees and an above-ground selection. Whether customers are landscaping their backyard, planning a commercial project, or looking for privacy trees, First Nature Nursery provides expert guidance to help clients make informed choices for their outdoor spaces.

As their business has grown and evolved, Ayr Farmers Mutual has been there to support them. We understand that farming operations have changing needs, and we're committed to growing alongside the businesses we serve, ensuring they have the right coverage as they expand and adapt.

[Home](#) | [Farm](#) | [Auto](#) | [Commercial](#)



Environmental, Social & Governance Initiatives in 2025

Foreword

For more than 130 years, Ayr Farmers Mutual has been rooted in one simple belief: when the communities where our policyholders live thrive, we all benefit.

As a mutual insurance company, our policyholders are members. That means when we make decisions, we prioritize what strengthens you and the communities where you live for the long term. We think in generations, not quarters.

In 2025, that commitment showed up in tangible ways: investing in environmental sustainability and digital tools that make your life easier, supporting healthcare, education, and community infrastructure that will serve families for decades to come.

This report shares how we lived our purpose in 2025: “Together, we care for and support our members and communities to thrive” through caring for our environment, strengthening our communities, and leading with integrity. It’s about being the kind of neighbour who shows up when it matters, because that’s what mutual insurance has always been about.

New this year, we have included the United Nations Sustainable Development Goals in our report. These 17 goals are a shared global framework to address the world’s most pressing challenges, like climate action, quality education, and sustainable communities.

Environmental: Caring for Our Environment

UN Sustainable Development Goals Supported:



For more than 130 years, the communities we serve have been our foundation. From farms to homes, vehicles to businesses, we know that caring for the environment means caring for the people and places we protect across Southwestern Ontario.

As a mutual insurance company, we take the long view. When we reduce our environmental footprint, we're investing in a healthier, more resilient future for the communities we serve.

Recognition that Reflects Our Roots

In April, we were named **Rookie of the Year by Sustainable Waterloo Region** - an honour that recognized our commitment to the network and our community. The award acknowledged efforts like tracking our building's energy use to find reduction opportunities, donating fresh produce from our on-site vegetable garden to Ontario Christian Gleaners, and hosting education sessions on climate action. It was a proud moment - and a reminder that sustainability isn't a side project. It's woven into how we operate.

AFM's desire for environmental action is not new. Our team has been leading sustainability initiatives for over 20 years. From roadside cleanups to waste reduction, this work has always been part of who we are.





Taking Action in Our Community

In 2025, our environmental work showed up in practical, tangible ways:

Caring for our neighbourhood. Every year, our team takes to Northumberland Street for our Annual Roadside Cleanup. It's a simple act - picking up litter, tidying the neighbourhood - but it's also a reminder that we're part of this community. We work here, you live here, and caring for our shared spaces matters.

Growing and giving. Our on-site vegetable garden produced fresh food that we donated to the Ontario Christian Gleaners, helping reduce food waste while supporting neighbours in need. It reflects values we all share: use what we have, share what we can, and leave things a little better than we found them.

Learning together. In April, we hosted an Earth Day Trivia event - a relaxed session covering everything from food production's environmental impact to renewable energy. It was about creating space for conversation and learning about the sustainability challenges and opportunities in our region.



Reducing waste, one step at a time.

Our compost program and participation in Sustainable Waterloo Region's Carbon Cleanse program helped us divert waste and take measurable steps toward reducing our footprint. These aren't flashy initiatives, but they're the kind of steady, consistent action that adds up over time.



Supporting Conservation in Our Region

Caring for the environment also means supporting organizations doing critical work in land and habitat protection.

In 2025, we donated to **Rare Charitable Research Reserve**, an urban land trust protecting over 1,500 acres across Waterloo Region and Wellington County. If you've ever hiked local trails, there's a good chance you've walked on land entrusted to Rare. Their work protects habitats, supports biodiversity, and ensures that green spaces remain accessible for generations to come.

We also directed a donation to the **University of Guelph through Regenesi**s, supporting conservation and environmental research. These partnerships reflect our belief that protecting the land we share strengthens all of us.

Making It Easier to Go Paperless

We took significant steps in 2025 to reduce our reliance on paper - and make it easier for you to manage your insurance digitally.

In July, we began implementing an email platform that allows us to communicate with you digitally instead of through printed mail. By October, the system was live and the response has been encouraging. We delivered over 18,000 emails with a 33% open rate and only 0.4% of recipients opting out. Those numbers tell us that many of you are ready for digital communication.

In December, we launched our **Go Paperless Project**, giving you the option to receive policy documents electronically through our online portal. Within the first few weeks, 240+ policies converted to electronic delivery, and portal adoption grew by more than 260 users. We know there's more work to do but the foundation is built, and we're committed to making digital access easier in the years ahead.

These tools reduce paper use while giving you faster, more convenient access to your information anytime, anywhere.

Social: Strengthening Our Communities

UN Sustainable Development Goals Supported:



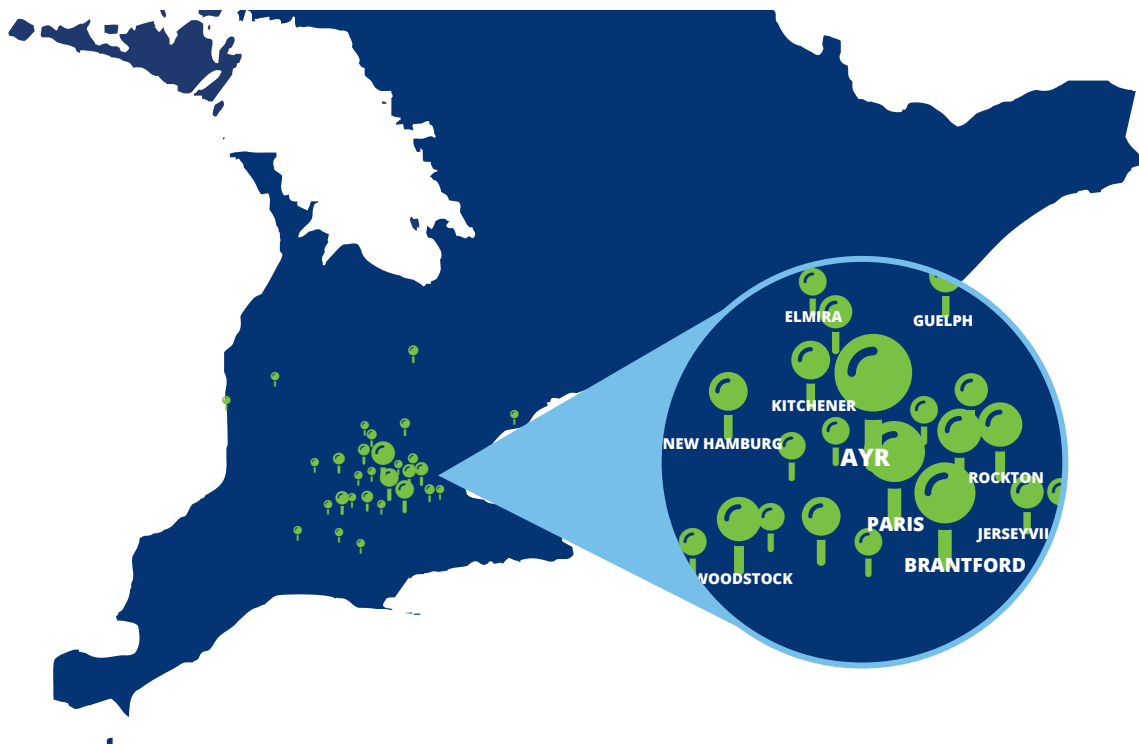
When the communities where you live thrive, we all benefit. That is the foundation of mutual insurance. We're here to support our members and the communities they call home, through good years and challenging ones alike.

Every dollar we invest back into these communities reflects that commitment - strengthening the places where you live and work.

Investing Where It Matters Most

In 2025, **AFM invested more than \$91,000 across 80+ organizations throughout Southwestern Ontario.**

The map shows the reach of these investments, concentrated in the communities where our policyholders live and work. These were intentional donations to causes that better our communities, to help our members and their communities thrive.



Healthcare and wellbeing. We supported the **Cambridge Memorial Hospital Foundation, Waterloo Wellington Health Network Foundation, Brant Community Healthcare System Foundation, and Woodstock Hospital Campaign Foundation** - organizations working to ensure you and your neighbours have access to quality care when you need it most.

Food security and youth success. Through the Farm Mutual Re Philanthropic Initiative, we donated **\$5,000 to Nutrition for Learning**, a Waterloo Region organization that provides nutritious meals and snacks to students in over 140 school programs. When young people in our communities have access to healthy food, they have better focus, to learn, grow and be successful.



Education and opportunity. We awarded **\$24,000 in scholarships to more than 30 recipients**, helping young people in our communities pursue post-secondary education and build their futures. These scholarships help remove financial barriers and open doors for the next generation.



In April, we hosted our **Volunteer Appreciation Night**, celebrating local volunteers and the organizations they support. That evening, we contributed over **\$33,000 to 33 organizations** - each one working to make our communities more vibrant, connected, and resilient. Volunteers are the backbone of strong communities, and we were honoured to recognize their impact.



Rallying Together for Important Causes

Some of the most meaningful moments in 2025 came when our team rallied together to support causes in your communities.

Terry Fox Run. In September, 48 members of our team participated in the Terry Fox Run in Ayr. Through fundraising efforts and AFM's matching contribution, **we raised \$6,635 in support of cancer research** - helping the Ayr community surpass its \$20,000 goal. Cancer touches so many families in our communities, and this was our way of contributing to the search for better treatments and outcomes.

Toy Mountain. The holidays should be joyful for every child. Thanks to our team's generosity, **we donated 138 toys to the Salvation Army's Toy Mountain** - from craft kits to board games, sports equipment to stuffed animals. Each gift helped make the holidays a little brighter for a child in our community.

Pride and inclusion. In June, **we raised \$418 for Spectrum Waterloo Region** through a bake sale and 50/50 draw, supporting resources and programming for our local 2SLGBTQ+ community. Everyone deserves to feel welcome and supported in their community.



Showing Up in Your Communities

In 2025, our team contributed **1,579.5 volunteer hours** - nearly 40 weeks - across our communities. That's time spent at food banks, community events, youth programs, environmental cleanups, and countless other initiatives that make our region stronger. We are proud to support our team in giving back to the places where you live.

Pumpkins and connection. In October, we welcomed neighbours to pick up nearly **300 pumpkins** grown by one of our policyholders. It was more than a giveaway. It was a reminder of the connections that make our communities strong. The pumpkins came from fields we insure, and they found their way to your porches and doorsteps. That circle of connection - supporting local farms while bringing neighbours together - is what community is all about.

We exhibited at the **Woodstock Home Show, Canadian Dairy XPO, and Canada's Outdoor Farm Show** - connecting with homeowners, farmers, and agricultural professionals. We hosted **free community skates** over March Break in Burford and St. George, giving families a chance to gather. We participated in the **Ayr and Paris Santa Claus Parades** in December, bringing holiday cheer to families.

We participated in **Conestoga College's Industry Night**, talking with students about careers in insurance and what it means to work for a mutual insurance company that puts policyholders first. We supported the **Insurance Institute's CIP Convocation**, to celebrate the next generation that will protect what matters most to our policyholders.

And we continue to proudly sponsor the **Ayr Centennials**: a team that brings our community together every single game.





A 40-Year Commitment to Where You Gather

In December, we announced our **40-year, \$600,000 naming rights partnership** with the Township of North Dumfries for the community centre building at the North Dumfries Community Complex: **now the Ayr Farmers Mutual Community Centre.**

This annual investment of \$15,000 over 40 years supports the Centre for the Community Group's \$2.2 million campaign for a Twin Pad and Community Programming Expansion. The facility is being built to Net Zero standards, meaning it will produce as much energy as it consumes.

Why 40 years? Because we think about the future in terms of generations, not quarters. This is where your kids will learn to skate, where your family will gather for community events, where neighbours will connect for decades to come. More than 100,000 visits happen at this facility every year and we're

proud to support that gathering place for the next four decades.



At our December announcement, Mayor Sue Foxton said: "When they can, they give back in big ways that help generations to come. It's felt by the entire community." That's the responsibility we embrace as part of this community.

Governance: Leading with Purpose

UN Sustainable Development Goals Supported:



At Ayr Farmers Mutual, governance means making decisions with integrity, leading with values that have guided us for over 130 years, and serving you, our policyholders, with care.

As a mutual insurance company, our structure allows us to prioritize what's best for our policyholders and the communities where you live, rather than outside investors. Every decision we make, every investment we choose, and every priority we set reflects that focus.

It means we can think decades ahead and invest in initiatives that strengthen our communities for the long term, even when they don't deliver immediate returns. That long-term perspective shapes everything we do.

Building a Culture of Care and Action

Behind the scenes, our team works to ensure AFM lives up to its values every single day. In 2025, that work was led by employee committees focused on environmental sustainability, employee wellbeing, community connection, and equity and inclusion.

These teams organized everything from roadside cleanups and Earth Day education to fundraising initiatives and learning sessions on indigenous truth and reconciliation. Their work earned us recognition from Sustainable Waterloo Region, raised funds for local organizations like Spectrum Waterloo Region, and ensured we're continually learning and growing as a company.

This matters to you because it means the people serving you are supported, engaged, and committed to making AFM a force for good in your communities. When our team thrives, you benefit from better service, deeper community connections, and a company that truly cares.



Board Leadership You Can Trust

Strong governance requires strong leadership. In 2025, we welcomed new expertise and recognized long-standing service at the board level.

Heather McLachlin, ICD.D was elected to our Board of Directors at our 131st Annual General Meeting. Heather brings over 25 years of senior executive experience in insurance and financial services, with deep expertise in governance and strategic growth. She joins **Brad Adams** and **David Jamieson**, who were both re-elected to continue their service.



We were incredibly proud to see Brad Adams receive the King Charles III Coronation Medallion in recognition of his decades of volunteerism and dedication to the agricultural community. Whether through his longtime support of 4-H or his leadership on our Board, Brad exemplifies what it means to serve with purpose and integrity.



Beyond our own Board, AFM's leadership engages meaningfully with the broader mutual insurance community. In 2025, our Chief Operating Officer Jodi Meiering was elected Director at Large on the Ontario Mutual Insurance Association (OMIA) Board for a two-year term. OMIA represents 35 independent mutual insurers. Jodi's election reflects AFM's commitment to not just participating in the mutual insurance community, but actively shaping its future.

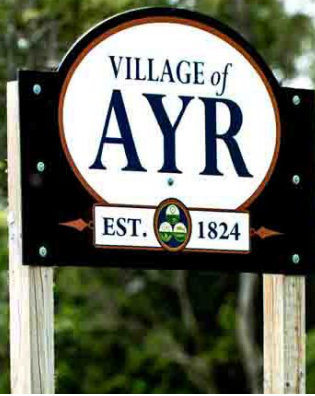


Learning, Listening, and Moving Forward

Governance also means being willing to confront difficult truths and commit to doing better.

On National Day for Truth and Reconciliation, we paused to reflect, learn, and honour the experiences of Indigenous Peoples and Survivors. Our team participated in a learning session focused on the experiences of Residential School Survivors who attended the Mohawk Institute in Brantford - a sobering reminder of the harms caused by these institutions and their ongoing impact.

We recognize that reconciliation is an ongoing commitment to listening, learning, and taking meaningful action. This work deepens our understanding and strengthens our resolve to serve all members of our communities with respect and care.



Built on Mutuality, Rooted in Community

At Ayr Farmers Mutual, mutuality is the foundation that supports everything we do.

We believe in community. Not as a concept, but as the real, lived experience of neighbours supporting neighbours, investing in our communities to leave it better for the next generation, showing up for each other when it matters most.

We believe in stewardship. Of the land we insure, the environment we share, the resources entrusted to us, and the relationships we have built over 130+ years.

We believe in integrity. In making decisions transparently, owning our challenges, celebrating our successes, and staying true to the values that guide us.

We believe in the long view. It's about building something that lasts: for your children, your grandchildren, and the communities that will call this place home long after we are gone.

These beliefs are not new. They have guided us since 1893, when a group of neighbours came together to protect what mattered most to them. More than a century later, that same spirit drives us forward. This is what mutuality looks like in practice.

The work we've shared in this report (the scholarships awarded, the conservation supported, the community spaces invested in, the digital tools built, the causes championed) all reflects our commitment to you and to the places you call home.

We know 2025 was a challenging year for many. We don't take that lightly. But we also want you to know that we're here for the long haul. We're your neighbours, your partners, and your insurance company, committed to supporting you and your communities to thrive.

Thank you for trusting us to protect what matters most. Thank you for being part of the Ayr Farmers Mutual story. And thank you for making our communities places worth investing in, caring for, and calling home.

A woman with brown hair tied in a bun, wearing a dark blue t-shirt and red shorts, is smiling as she harvests eggplants in a greenhouse. She is using silver pruning shears to cut a stem. The greenhouse structure is visible with metal frames and white plastic covering. The background is filled with lush green eggplant plants.

True to our roots.

📍 Ayr, ON

Situated just outside Ayr, Ontario, Alexandra's Farm and CSA grows seasonal vegetables and shares the harvest with the local community through their Community Supported Agriculture program. Neighbours can sign up to enjoy fresh produce straight from their gardens throughout the growing season.

A policyholder with Ayr Farmers Mutual, Alexandra and her family trust us to protect what they've built. They know that when challenges arise, we're here to support and help them continue doing what they love: growing good food for their community.

[Home](#) | [Farm](#) | [Auto](#) | [Commercial](#)



Ayr Farmers
Mutual
Insurance Company

Financial Statements

Year ending December 31, 2025



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**Ayr Farmers
Mutual**
Insurance Company

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2025

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of Ayr Farmers Mutual Insurance Company. The financial statements have been prepared by management in accordance with International Financial Reporting Standards (including the accounting requirements of the Financial Services Regulatory Authority of Ontario) and have been approved by the Board of Directors.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of Ayr Farmers Mutual Insurance Company, which includes adherence by all employees to the company's Code of Conduct. Management maintains a system of internal accounting controls to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgements.

The Audit Committee and the Board of Directors review and approve the annual financial statements. In addition, the Audit Committee meets periodically with financial officers of Ayr Farmers Mutual Insurance Company and the external auditors, and reports to the Board of Directors thereon. The Audit Committee and Board of Directors also review the annual report in its entirety.

The accompanying financial statements have been audited by Graham Mathew Professional Corporation, authorized to practise public accounting by the Chartered Professional Accountants of Ontario, who are engaged by the Board of Directors and whose appointment was ratified at the annual meeting of the policyholders. The auditors have access to the Audit Committee, without management present, to discuss the results of their work. Their report dated January 23, 2026 expresses their unmodified opinion on the Company's 2025 financial statements.

A handwritten signature in black ink, appearing to read 'Jeff Whiting'.

Jeff Whiting, CIP
President & CEO

A handwritten signature in black ink, appearing to read 'David Paterson'.

David Paterson, BBA
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Policyholders of
Ayr Farmers Mutual Insurance Company

Opinion

We have audited the accompanying financial statements of **Ayr Farmers Mutual Insurance Company** (the Company), which comprise the statement of financial position as at December 31, 2025, and the statements of comprehensive income, policyholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Cambridge, Ontario
January 23, 2026

Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario



**FINANCIAL POSITION
DECEMBER 31, 2025**

	2025 \$	2024 \$
ASSETS		
Cash and short-term deposits	12,560,675	18,381,251
Reinsurance contracts assets (note 4a)	3,721,767	1,627,724
Other assets	594,124	507,129
Deferred tax asset	132,000	
Current assets	17,008,566	20,516,104
Investments (note 7)	109,093,227	96,171,336
Property, plant and equipment (note 8)	3,472,849	3,342,721
	129,574,642	120,030,161
LIABILITIES		
Accounts payable and accrued liabilities	1,068,966	1,122,999
Provision for refund from premiums		1,530,000
Income taxes payable	252,992	1,208,996
Deferred tax liability		84,000
Current liabilities	1,321,958	3,945,995
Liability for remaining coverage (note 6)	8,410,679	7,519,353
Liability for incurred claims (note 4a)	30,847,319	24,429,160
Total insurance contract liabilities	39,257,998	31,948,513
Total liabilities	40,579,956	35,894,508
POLICYHOLDERS' EQUITY		
Policyholders' equity (page 6)	88,994,686	84,135,653
	129,574,642	120,030,161

APPROVED BY THE BOARD:

Director

Director



**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2025**

	2025 \$	2024 \$
Insurance revenue (note 14)	57,426,577	49,770,673
Insurance service expense (note 5)	(47,220,954)	(31,959,745)
Insurance service result before reinsurance	10,205,623	17,810,928
Reinsurance premiums ceded	(6,341,946)	(5,499,372)
Recoverable from reinsurers for incurred claims	2,223,112	263,591
Net expense for reinsurance contracts	(4,118,834)	(5,235,781)
Insurance service result	6,086,789	12,575,147
Investment income (note 12)	10,227,925	10,616,568
Finance expense for insurance contracts issued	(1,209,000)	(1,298,000)
Finance income for reinsurance contracts	126,000	154,000
Net insurance financial result	15,231,714	22,047,715
Other revenue (expenses)		
Payment (refund) from premiums	7,068	(1,530,856)
Other expenses (note 5)	(8,789,068)	(8,317,252)
Income before income taxes	6,449,714	12,199,607
Income tax recovery (expense)		
Current (note 10)	(1,713,681)	(3,173,793)
Deferred	123,000	51,000
	(1,590,681)	(3,122,793)
Net income, being total comprehensive income for year	4,859,033	9,076,814



**STATEMENT OF POLICYHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2025**

	2025 \$	2024 \$
Balance at beginning of year	84,135,653	75,058,839
Net income, being total comprehensive income for year	4,859,033	9,076,814
Balance at end of year	88,994,686	84,135,653



**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025**

	2025 \$	2024 \$
Cash flows from operating activities:		
Net income, being total comprehensive income for year	4,859,033	9,076,814
Items not involving cash:		
Amortization and depreciation	939,267	863,936
Deferred income tax	(123,000)	(51,000)
Realized gains on investments	(3,429,361)	(972,173)
Unrealized gains on investments	(2,311,214)	(5,202,356)
	(65,275)	3,715,221
Net change in non-cash working capital balances relating to operations:		
Reinsurance contract assets	(2,094,043)	1,820,333
Income taxes payable	(956,004)	(769,917)
Accounts payable and accrued liabilities	(54,034)	138,487
Liability for remaining coverage	891,326	767,372
Liability for incurred claims	6,418,159	164,263
Other assets	(86,995)	297,856
Taxes paid IFRS 17 transition	(93,000)	(93,000)
	3,960,134	6,040,615
Cash flows from investment activities:		
Proceeds from sale of investments	175,230,038	127,840,118
Purchase of investments	(182,418,590)	(134,023,856)
Net additions to property, plant and equipment and intangible assets - net	(1,059,650)	(863,553)
Investment income due and accrued	(2,508)	(83,434)
	(8,250,710)	(7,130,725)
Cash flows from financing activities:		
Provision for refund from premiums	(1,530,000)	1,530,000
Increase (decrease) in cash during year	(5,820,576)	439,890
Cash, beginning of year	18,381,251	17,941,361
Cash, end of year	12,560,675	18,381,251



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

1. Identification and Activities

Ayr Farmers Mutual Insurance Company (the Company) is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property, liability, automobile, aircraft specifically related as UAV's and farmers' accident insurance in Ontario. The Company's head office is located at 1400 Northumberland Street in Ayr, Ontario.

The Company is subject to rate regulation in the automobile business that it writes. Before automobile insurance rates can be changed, a rate filing is prepared as a combined filing for most Ontario Farm Mutuals. The rate filing must include actuarial justification for rate increases or decreases. All rate filings are approved or denied by the Financial Services Regulatory Authority of Ontario. Rate regulation may affect the automobile revenues that are earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

These financial statements have been authorized for issue by the Board of Directors on January 23, 2026.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

IFRS 17 Insurance contracts

(i) *Classification and measurement*

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA are as follows:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.
- Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.
- Measurement of the liability for incurred claims is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Company defers insurance acquisition cash flows for all product lines over the contract boundary. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.

The Company's classification and measurement of insurance and reinsurance contracts is explained in note 2(b).

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025

2. Summary of Significant Accounting Policies (Continued)**(a) Basis of presentation (continued)****IFRS 17 Insurance contracts (continued)***(ii) Presentation and disclosure*

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance contracts issued that are liabilities
- Portfolios of insurance contracts issued that are assets
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

(b) Insurance and reinsurance contracts accounting treatment*(i) Insurance and reinsurance contracts accounting classification*

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues property and casualty insurance to individuals and businesses, which includes property, liability, automobile, aircraft and farmers' accident insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

(ii) Separating components from insurance and reinsurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

(iii) Levels of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

2. Summary of Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(iii) *Levels of aggregation (continued)*

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

(iv) *Recognition*

The Company recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognizes a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- The date the Company recognizes an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

2. Summary of Significant Accounting Policies (Continued)**(b) Insurance and reinsurance contracts accounting treatment (continued)***(v) Contract boundary*

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

(vi) Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds as the coverage period for all contracts is one year or less.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date,
- Any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in comprehensive income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

(vii) Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues (i.e. the PAA). However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognized on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

2. Summary of Significant Accounting Policies (Continued)**(b) Insurance and reinsurance contracts accounting treatment (continued)***(viii) Insurance contracts – subsequent measurement*

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period,
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period for the group,
- Minus the amount recognized as insurance revenue for the services provided in the period.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognizes a loss in comprehensive income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to comprehensive income (through insurance service expense).

(ix) Reinsurance contracts – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(x) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company uses a systematic and rational method to allocate insurance acquisition cash flows to each group of insurance contracts.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognized in the statement of financial position, a separate asset for insurance acquisition cash flows is recognized for each related group.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025

2. Summary of Significant Accounting Policies (Continued)**(b) Insurance and reinsurance contracts accounting treatment (continued)***(xi) Insurance contracts – modification and derecognition*

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the relevant contracts are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

(xii) Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

(xiii) Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognized on the basis of the passage of time.

(xiv) Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

2. Summary of Significant Accounting Policies (Continued)**(b) Insurance and reinsurance contracts accounting treatment (continued)***(xv) Loss-recovery components*

As described in note 2(b)(xiv) above, where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(xvi) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money; and the effect of financial risk and changes in financial risk. The Company presents insurance finance income or expenses within comprehensive income each period.

(xvii) Net income or expense from reinsurance contracts held

The Company does not separately present on the face of the statement of comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the statement of comprehensive income.

(c) Structured settlements, Fire Mutuals Guarantee Fund and financial guarantee contracts

The Company enters into annuity agreements with various life insurance companies to provide for fixed and recurring payments to claimants. Under such arrangements, the Company's liability to its claimants is substantially transferred, although the Company remains exposed to the credit risk that life insurers fail to fulfill their obligations.

The Company is a member of the Fire Mutuals Guarantee Fund ("the Fund"). The Fund was established to provide payment of outstanding policyholders' claims if a member company becomes insolvent. As a result, the Company may be required to contribute assets to their proportionate share in meeting this objective.

These exposures represent financial guarantee contracts. The Company accounts for financial guarantee contracts in accordance with IFRS 17, Insurance Contracts.

(d) Financial instruments

The Company measures its financial assets at fair value through profit or loss (FVTPL) because the Company's business model manages asset performance on a fair value basis.

Financial assets are initially measured at fair value, with attributable transaction costs recognized in comprehensive income.

Financial liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument, and are subsequently carried at cost using the effective interest rate method.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

2. Summary of Significant Accounting Policies (Continued)

(e) Facility Association

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

(f) Income taxes

Income tax expense includes current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in policyholders' equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

(g) Pension plan

The Company participates in a multi-employer defined benefit pension plan. However, sufficient information is not available to use defined benefit accounting. Therefore, the Company accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

3. Accounting Estimates and Judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The company consolidates information and does not provide a separate breakdown for its major product lines; instead, it presents them as a unified portfolio.

(i) *Insurance contracts*

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for incurred claims, the Company includes an explicit risk adjustment for non-financial risk.

(a) *Liability for remaining coverage*

(i) *Onerous groups*

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognized on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

(ii) *Time value of money*

The company does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money or the effect of financial risk for any of its product lines.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

3. Accounting Estimates and Judgements (continued)
(i) Insurance contracts (continued)
(b) Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

(c) Discount rates

Insurance contract liabilities and reinsurance contract assets are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid sovereign securities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2025	2024	2025	2024	2025	2024	2025	2024
Insurance Liabilities	2.33	3.06	2.75	3.01	3.11	3.20	3.94	3.84
Reinsurance Assets	2.33	3.06	2.75	3.01	3.11	3.20	3.94	3.84

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in note 4.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

3. Accounting Estimates and Judgements (Continued)

(i) Insurance contracts (continued)

(d) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 59th percentile. That is, the Company has assessed that in order to be indifferent to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) they require an additional amount equivalent to the 59th percentile level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in note 4.

4. Insurance Financial Risk Management

The company's activities expose it to a variety of insurance and financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking on various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance.

(a) Insurance risk

The principal risk the Company faces under 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 objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risk mitigation program. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from the reinsurer are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company writes insurance primarily over a twelve month duration. The most significant risks arise through high severity, low frequency events such as natural disasters or catastrophes. A concentration of risk may arise from insurance contracts issued in a specific geographic location since all insurance contracts are written in Ontario.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

The Company manages this risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Automobile premiums are subject to approval by the Financial Services Regulatory Authority of Ontario and therefore may result in a delay in adjusting the pricing to exposed risk. Reinsurance is purchased to mitigate the effect of the potential loss to the Company.

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of \$1,200,000 in the event of a property claim, an amount of \$1,400,000 in the event of an automobile claim and \$1,400,000 in the event of a liability claim. The Company also obtained reinsurance, which limits the Company's liability to \$3,500,000 in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 70% of net earned premiums.

The following tables show the concentration of net insurance contract liabilities by type of contract:

	December 31, 2025			December 31, 2024		
	Gross Claims \$	Reinsurance of Claims \$	Net Claims \$	Gross Claims \$	Reinsurance of Claims \$	Net Claims \$
Property	8,316,289	1,383,829	6,932,460	4,545,680	564,365	3,981,315
Automobile	17,795,231	2,252,938	15,542,293	14,905,299	1,096,359	13,808,940
Liability	4,735,799	85,000	4,650,799	4,978,181	(33,000)	5,011,181
Total net insurance contracts	30,847,319	3,721,767	27,125,552	24,429,160	1,627,724	22,801,436

(i) *Sensitivities*

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(i) *Sensitivities (continued)*

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

		2025				
	Change in assumptions		Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity, gross of reinsurance	Impact on equity, net of reinsurance
Expected loss	+	5 %	(1,106,105)	(961,082)	(812,988)	(706,395)
Inflation rate	+	5 %	(1,106,105)	(961,082)	(812,988)	(706,395)
Expected loss	-	5 %	1,106,105	961,082	812,988	706,395
Inflation rate	-	5 %	1,106,105	961,082	812,988	706,395

		2024				
	Change in assumptions		Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity, gross of reinsurance	Impact on equity, net of reinsurance
Expected loss	+	5 %	(819,819)	(773,105)	(602,567)	(568,232)
Inflation rate	+	5 %	(819,819)	(773,105)	(602,567)	(568,232)
Expected loss	-	5 %	819,819	773,105	602,567	568,232
Inflation rate	-	5 %	819,819	773,105	602,567	568,232



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) *Claims development*

The following tables show the estimates of cumulative incurred claims for each successive accident year at each reporting date, together with cumulative payments to date.

In setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

	Note	2025			2024		
		Estimates of the PVFCF	Risk adjustment	Total	Estimates of the PVFCF	Risk adjustment	Total
Total gross liabilities for incurred claims	6(a)	30,140,139	707,180	30,847,319	23,752,160	677,000	24,429,160
Amounts recoverable from reinsurance	6(b)	4,369,161 (31,000)	4,338,161	1,573,724	54,000	1,627,724
Total net liabilities for incurred claims		25,770,978	738,180	26,509,158	22,178,436	623,000	22,801,436

* PVFCF refers to present value of future cash flows



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) *Claims development (continued)*

Gross undiscounted liabilities for incurred claims for 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of insured event year	16,266,985	20,066,216	27,105,724	18,196,161	18,215,324	19,444,709	31,176,580	22,118,106	26,791,385	39,924,738	
One year later	15,238,583	17,496,882	24,238,368	18,100,653	18,208,357	19,689,507	29,643,167	21,881,862	25,567,068		
Two years later	14,316,175	16,286,880	23,631,612	16,825,800	18,413,260	19,815,623	29,170,854	21,326,593			
Three years later	13,853,232	16,135,613	23,675,838	16,950,754	18,269,351	19,481,915	29,769,889				
Four years later	13,722,656	15,854,768	24,173,008	17,118,970	18,204,033	19,845,158					
Five years later	13,900,169	16,243,938	23,513,394	16,920,635	18,523,535						
Six years later	13,797,977	16,045,667	23,504,781	16,956,180							
Seven years later	13,588,152	15,943,080	23,885,712								
Eight years later	13,609,062	16,094,085									
Nine years later	13,595,152										
Gross estimates of the undiscounted amount of the claims	13,595,152	16,094,085	23,885,712	16,956,180	18,523,535	19,845,158	29,769,889	21,326,593	25,567,068	39,924,738	225,488,110
Cumulative payments to date	13,595,152	15,947,311	23,638,751	16,506,176	16,856,941	19,236,492	27,099,942	18,881,233	21,348,508	20,631,182	193,741,688
Outstanding claims	NIL	146,774	246,961	450,004	1,666,594	608,666	2,669,947	2,445,360	4,218,560	19,293,556	31,746,422
Outstanding claims 2015 and prior											92,531
Effect of discounting											(1,719,449)
Other attributable expenses											727,815
Total gross liabilities for incurred claims											30,847,319



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) *Claims development (continued)*

Net undiscounted liabilities for incurred claims for 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of insured event											
year	15,309,443	17,354,221	23,287,321	16,577,514	17,138,056	17,649,966	27,481,294	21,703,295	26,238,813	37,461,663	
One year later	14,516,147	15,976,001	22,527,957	17,337,045	16,645,009	16,894,328	27,508,515	21,699,885	25,282,420		
Two years later	13,892,957	15,291,183	22,246,263	16,413,054	18,056,415	17,982,427	27,182,401	21,179,407			
Three years later	13,650,014	15,165,643	22,370,952	16,752,116	17,757,223	17,566,809	27,760,495				
Four years later	13,543,752	14,816,171	22,765,592	17,151,850	17,665,382	17,881,569					
Five years later	13,659,054	15,290,284	22,363,857	16,932,268	17,715,954						
Six years later	13,619,925	15,185,054	22,215,390	16,804,307							
Seven years later	13,457,259	15,098,485	22,631,362								
Eight years later	13,478,169	15,249,496									
Nine years later	13,466,259										
Net estimates of the undiscounted amount of the net claims	13,466,259	15,249,496	22,631,362	16,804,307	17,715,954	17,881,569	27,760,495	21,179,407	25,282,420	37,461,663	215,432,932
Cumulative payments to date	13,466,259	15,102,722	22,614,246	16,377,303	16,707,405	17,371,903	25,351,518	19,034,047	21,517,860	20,283,727	187,826,990
Outstanding claims	NIL	146,774	17,116	427,004	1,008,549	509,666	2,408,977	2,145,360	3,764,560	17,177,936	27,605,942
Outstanding claims 2015 and prior											91,531
Effect of discounting											(1,321,448)
Other attributable expenses											133,133
Total net liabilities for incurred claims											26,509,158



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management

The Company has exposure to credit risk, liquidity risk and market risks from its use of financial instruments and its insurance contracts.

Credit risk

Credit risk is the risk of financial loss to the Company if a debtor fails to make payments of interest and principal when due. The Company is exposed to this risk relating to its debt holdings in its investment portfolio and the reliance on the reinsurer to make payment when certain loss conditions are met.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits and corporate sector limits. The bond portfolio remains very high quality with 70% of the bonds rated A or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the credit-worthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management and the Board prior to renewal of the reinsurance contract.

Amounts receivable are short-term in nature and are not subject to material credit risk.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance contract assets. The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

	2025			Total
	A or better	Less than A	Not rated	
Insurance contract assets - bonds	37,776,904	10,038,209	6,374,704	54,189,817
Reinsurance contract assets		2,909,767		2,909,767
	37,776,904	12,947,976	6,374,704	57,099,584

	2024			Total
	A or better	Less than A	Not rated	
Insurance contract assets - bonds	35,677,173	10,620,664	6,553,358	52,851,195
Reinsurance contract assets		669,724		669,724
	35,677,173	11,290,388	6,553,358	53,520,919

Concentrations of credit risk

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client, nor does it have material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

There have been no significant changes from the previous period in the exposure to risk, nor significant changes in policies, procedures and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the Ontario Insurance Act. An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 5% of the company's total assets.

(i) *Interest rate risk*

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Company is exposed to this risk through its interest bearing investments, which include treasury bills, guaranteed investment certificates and bonds.

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used, in a broad sense, to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than its liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally, the Company's investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses in net income. There are no occurrences where interest would be charged on liabilities; therefore, little protection is needed to ensure the fair market value of assets will be offset by a similar change in liabilities due to an interest rate change.

The objectives, policies and procedures for managing interest rate risk are to vary the bond duration to take advantage of falling interest rates and reduce the risk of rising interest rates. This protects the Company from fluctuations in the interest rates. At December 31, 2025, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by approximately \$1,551,000.

There have been no significant changes from the previous period in the exposure to risk, nor any significant changes to policies, procedures and methods used to measure the risk.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(i) *Interest rate risk (continued)*

Insurance finance income or expenses reflect changes in insurance contract liabilities valuations, driven by factors like discount rate adjustments and financial assumptions. These valuations, in turn, impact our financial results. Prudent risk management strategies ensure stability in financial performance, underscoring the crucial link between investment returns and our insurance business.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

		2025		2024	
	Change in interest rate	Effect on Net profit	Effect on Equity	Effect on Net profit	Effect on Equity
Debt Instruments	+100 bps	(1,551,000)	(1,140,000)	(2,196,000)	(1,614,000)
Debt Instruments	- 100 bps	1,551,000	1,140,000	2,196,000	1,614,000

(ii) *Price risk*

Price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings within its investment portfolio.

The company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index, United States stocks with fair values that move with the S&P 500 Index, and international stocks that move with financial markets in Europe, Australia and Far East. A 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's common stocks of approximately \$3,295,000. These changes would be recognized in the statement of comprehensive income.

The Investment Committee of the Board of Directors follows investment policies, procedures and processes for managing price risk.

The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(iii) *Foreign currency risk*

Foreign currency risk relates to the company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Company's principal transactions are carried out in Canadian dollars and its exposure to foreign exchange risk arises primarily with respect to the United States dollar. The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities.

The Company's foreign exchange risk is related to its stock holdings. The Company limits its holdings in foreign equity to 25% of investments in accordance with its investment policy. Foreign currency changes are monitored by the investment committee and holdings are adjusted when out of balance with its investment policy. A 1% change in the value of the United States dollar would affect the fair value of stocks and cash by approximately \$240,000, which would be reflected in the statement of comprehensive income.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

5. Insurance Service Expense

	2025	2024
Claims and benefits	38,354,008	23,854,682
Salaries, employee benefits and directors' fees	6,807,536	6,381,177
Professional fees	53,464	69,185
Commissions	6,466,248	6,113,307
Depreciation and amortization	870,942	815,764
Occupancy expenses (including rent, leasing and maintenance)	619,975	542,551
Information technology	1,556,474	1,300,286
Other general expenses	1,281,375	1,200,045
Total	56,010,022	40,276,997
Represented by:		
Insurance service expenses	47,220,954	31,959,745
General and operating expenses	8,789,068	8,317,252
Total	56,010,022	40,276,997



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

6. Insurance and Reinsurance Contracts

(a) Roll forward of net liability for insurance contracts

The Company provides disclosure for its entire portfolio on an overall basis without further disaggregating information based on major product lines. This approach reflects the company's management and reporting practices.

	2025				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	7,519,353		23,752,160	677,000	31,948,513
Insurance revenue	(57,426,577)				(57,426,577)
Insurance service expenses					
Incurred claims and other directly attributable expenses			38,716,343	367,866	39,084,209
Insurance acquisition cash flows amortization	8,866,946				8,866,946
Changes that relate to past service – adjustments to the liability for incurred claims			(392,515)	(337,686)	(730,201)
Insurance service result	(48,559,631)		38,323,828	30,180	(10,205,623)
Insurance finance expenses			1,209,000		1,209,000
Total changes in the statement of comprehensive income	(48,559,631)		39,532,828	30,180	(8,996,623)
Cash flows					
Premiums received	58,968,024				58,968,024
Claims and other directly attributable expenses paid			(33,144,849)		(33,144,849)
Insurance acquisition cash flows	(9,517,067)				(9,517,067)
Total cash flows	49,450,957		(33,144,849)		16,306,108
Insurance contract liabilities, end of year	8,410,679		30,140,139	707,180	39,257,998

* PVFCF refers to present value of future cash flows



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

6. Insurance and Reinsurance Contracts (Continued)

(a) Roll forward of net liability for insurance contracts (continued)

	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	6,751,981		23,089,497	1,175,400	31,016,878
Insurance revenue	(49,770,673)				(49,770,673)
Insurance service expenses					
Incurred claims and other directly attributable expenses			25,995,721	211,675	26,207,396
Insurance acquisition cash flows amortization	8,106,559				8,106,559
Changes that relate to past service – adjustments to the liability for incurred claims			(1,643,469)	(710,075)	(2,353,544)
Insurance service result	(41,664,114)		24,352,252	(498,400)	(17,810,262)
Insurance finance expenses			1,297,335		1,297,335
Total changes in the statement of comprehensive income	(41,664,114)		25,649,587	(498,400)	(16,512,927)
Cash flows					
Premiums received	50,873,959				50,873,959
Claims and other directly attributable expenses paid			(24,986,924)		(24,986,924)
Insurance acquisition cash flows	(8,442,473)				(8,442,473)
Total cash flows	42,431,486		(24,986,924)		17,444,562
Insurance contract liabilities, end of year	7,519,353		23,752,160	677,000	31,948,513

*PVFCF refers to present value of future cash flows



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

6. Insurance and Reinsurance Contracts (Continued)

(b) Reinsurance contracts

The company provides disclosure for its entire reinsurance portfolio on an overall basis without further desegregating information based on specific reinsurance lines or segments. This approach aligns with the company's management and reporting practices.

2025

	Assets for remaining coverage	Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments
				Total
Net reinsurance contract assets, beginning of year	(509,782)		2,083,506	54,000
Allocation of reinsurance premiums	(6,341,946)			(6,341,946)
Amounts recoverable from reinsurers for incurred claims				
Amounts recoverable for claims and other expenses			1,853,149	(16,663)
Changes to amounts recoverable for incurred claims			454,963	(68,337)
Net (income) expenses from reinsurance contracts held	(6,341,946)		2,308,112	(85,000)
Reinsurance finance income			126,000	
Total changes in the statement of comprehensive income	(6,341,946)		2,434,112	(85,000)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	6,235,334			6,235,334
Amounts received			(148,457)	(148,457)
Total cash flows	6,235,334		(148,457)	6,086,877
Reinsurance contract assets (liabilities), end of year	(616,394)		4,369,161	(31,000)

* PVFCF refers to present value of future cash flows



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

6. Insurance and Reinsurance Contracts (Continued)

(b) Reinsurance contracts (continued)

	2024			
	Assets for remaining coverage	Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments
				Total
Net reinsurance contract assets, beginning of year			3,316,896	131,161
Allocation of reinsurance premiums	(5,499,372)			(5,499,372)
Amounts recoverable from reinsurers for incurred claims				
Amounts recoverable for claims and other expenses			525,232	53,491
Changes to amounts recoverable for incurred claims			(184,480)	(130,652)
Net (income) expenses from reinsurance contracts held	(5,499,372)		340,752	(77,161)
Reinsurance finance income			154,000	154,000
Total changes in the statement of comprehensive income	(5,499,372)		494,752	(77,161)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	4,989,590			4,989,590
Amounts received			(1,728,142)	(1,728,142)
Total cash flows	4,989,590		(1,728,142)	3,261,448
Net reinsurance contract assets (liabilities), end of year	(509,782)		2,083,506	54,000

* PVFCF refers to present value of future cash flows



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

7. Investments

	2025		2024	
	<u>Cost</u>	<u>Fair value (Book value)</u>	<u>Cost</u>	<u>Fair value (Book value)</u>
	\$	\$	\$	\$
Debt securities:				
Federal	10,895,800	10,829,379		
Provincial			13,147,459	13,488,477
Corporate				
A or better	16,967,985	17,297,535	11,985,565	12,436,777
Pooled funds	25,304,983	25,992,445	26,484,757	26,855,792
Fire Mutual Guarantee Fund	70,458	70,458	70,149	70,149
	53,239,226	54,189,817	51,687,930	52,851,195
Equity investments:				
Canadian common	5,920,923	8,990,166	8,152,121	10,230,122
Real estate and infrastructure	18,439,841	21,596,689	14,215,651	16,588,885
U.S. equities	20,290,038	23,956,389	13,226,160	16,143,476
	44,650,802	54,543,244	35,593,932	42,962,483
Accrued interest	360,166	360,166	357,658	357,658
	98,250,194	109,093,227	87,639,520	96,171,336

The maximum exposure to credit risk is the fair value indicated.

The debt securities mature as follows:

	2025	2024
	\$	\$
Within 1 year	7,876,984	12,395,871
Over 1 to 5 years	39,430,004	22,998,648
Over 5 years	6,882,829	17,456,676
	54,189,817	52,851,195

The effective investment yield for the year is 9.6% (10.3% for 2024).

The following table provides an analysis of the investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3, based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

7. Investments (Continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

On December 31, 2025 and December 31, 2024, the company held only level 2 investments.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2025				
Bonds				
Federal		10,829,379		10,829,379
Corporate		17,297,535		17,297,535
Fire Mutual Guarantee Fund		70,458		70,458
Accrued investment income		360,166		360,166
Pooled funds				
Canadian fixed income		25,992,445		25,992,445
Canadian equity		8,990,166		8,990,166
U.S. equity		23,956,389		23,956,389
Real estate and infrastructure		21,596,689		21,596,689
Total investments measured at fair value	NIL	109,093,227	NIL	109,093,227

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
December 31, 2024				
Bonds				
Provincial		13,488,477		13,488,477
Corporate		12,436,777		12,436,777
Fire Mutual Guarantee Fund		70,149		70,149
Accrued investment income		357,658		357,658
Pooled funds				
Canadian fixed income		26,855,792		26,855,792
Canadian equity		10,230,122		10,230,122
U.S. equity		16,143,476		16,143,476
Real estate and infrastructure		16,588,885		16,588,885
Total investments measured at fair value	NIL	96,171,336	NIL	96,171,336

There were no transfers between levels for the years ended December 31, 2025 and 2024.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

8. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided over the estimated useful lives of the assets, using the straight-line method (years) or declining-balance method (percentage).

Intangible assets consist of computer software which are not integral to the computer hardware owned by the company. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. The amortization expense is included within insurance service expense and general and operating expenses in the statement of comprehensive income and is provided over the estimated useful life of the asset.

	Depreciation rate	2025		
		Cost \$	Accumulated Depreciation \$	Net Book Value \$
Land		163,818		163,818
Buildings	4%	3,831,725	2,007,655	1,824,070
Computer hardware	3 years	1,003,889	804,124	199,765
Furniture and fixtures	5 years	1,843,785	1,562,306	281,479
Vehicles	30%	339,418	141,885	197,533
Computer software	50%	7,783,533	6,977,349	806,184
		14,966,168	11,493,319	3,472,849

	Depreciation rate	2024		
		Cost	Accumulated Depreciation	Net Book Value
Land		154,073		154,073
Buildings	4%	3,647,370	1,931,652	1,715,718
Computer hardware	3 years	887,008	667,943	219,065
Furniture and fixtures	5 years	1,794,243	1,432,022	362,221
Vehicles	30%	247,592	135,188	112,404
Computer software	50%	7,228,115	6,448,875	779,240
		13,958,401	10,615,680	3,342,721

The unamortized cost of property, plant and equipment and intangible assets available to reduce net income for income tax purposes amounts to approximately \$2,068,000 (\$1,874,000 in 2024).

9. Pension Plan

The Company makes contributions on behalf of its employees to “The Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies”, which is a multi-employer plan. Eligible employees participate in the defined benefit plan and sales agents participate in the defined contribution plan. The defined benefit plan specifies the amount of the retirement benefit to be received by the employee based on the number of years the employee has contributed and his/her final average earnings. The defined benefit plan has been closed to future eligible employees effective January 1, 2017. As of that date future eligible employees will be enrolled in the defined contribution plan.

The Company matches the employee contributions and funds the excess defined benefit based on the Company’s percentage of pensionable earnings as calculated by the Pension Plan actuaries. The Pension Plan agreement states that the Company is responsible for its share of any deficit as a result of any actuarial valuation or cost certificate. In the event of a wind-up, voluntary withdrawal or bankruptcy, either by the Company or the group as a whole, the Company is responsible for its portion of all expenses and deficit related to such.



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

9. Pension Plan (Continued)

During 2025, the amount contributed to the plan for current service was \$626,015 (\$588,410 in 2024). In addition, the company was required to contribute \$NIL (\$NIL in 2024) for past service. These amounts have been recognized in comprehensive income. The Company had a 5.1% share of the total contributions to the Plan in 2025. The expected contribution to the Plan for 2026 is \$681,000.

An actuarial valuation of the Pension Plan as of December 31, 2023 showed a going-concern surplus position. The next actuarial valuation to be filed under the Pension Benefit Act will be as of December 31, 2026.

Due to the complexity of the valuation and its long-term nature, the funding valuation is highly sensitive to changes in the assumptions, which are reviewed at each reporting date. This uncertainty could create volatility in the funding status of the plan.

10. Income Taxes

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (26.5% in 2024) are as follows:

	2025 \$	2024 \$
Income before income taxes	6,449,714	12,199,607
Expected taxes based on the statutory rate of 26.5% (26.5% in 2024)	1,709,174	3,232,896
Claims reserves timing differences	133,991	23,798
Other non-deductible expenses	5,456	4,822
Difference between depreciation and capital cost allowance	24,167	22,435
Other non-taxable income	(131,939)	(110,158)
Current year income tax expense	1,740,849	3,173,793

11. Salaries, Benefits and Directors Fees

Underwriter salaries and benefits	1,293,005	1,037,624
Sales salaries and commissions	6,466,248	6,113,307
Other salaries, benefits and directors' fees	5,514,530	5,343,553
	13,273,783	12,494,484

Included in claims expenses were salary and benefit costs of \$1,755,108 (\$1,650,435 in 2024).

12. Investment Income

Interest income	2,636,801	3,179,325
Dividend income	1,887,744	1,404,418
Realized gains on disposal of investments	3,429,361	972,173
Unrealized gains on investments	2,311,214	5,202,356
Investment expenses	(368,375)	(327,970)
Real estate pools and other	331,180	186,266
	10,227,925	10,616,568



**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2025**

13. Related Party Transactions

The Company entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management:

	2025	2024
	\$	\$
Compensation		
Salaries, benefits and directors' fees	2,862,717	2,651,062
Pension and other post-employment benefits	194,855	193,930
	3,057,572	2,844,992
Premiums	168,323	140,994
Claims paid	19,869	16,142

Amounts owing to and from key management personnel at December 31, 2025 are \$NIL (\$NIL in 2024) and \$69,143 (\$48,759 in 2024) respectively. The amounts are included in accounts payable and accrued liabilities and liability for remaining coverage on the statement of financial position.

14. Insurance Revenue

Gross premiums written	60,493,246	52,585,079
Crop assumed	242,591	152,852
Increase in unearned premiums	(3,746,333)	(3,277,274)
Service fees & bad debts	437,073	310,016
	57,426,577	49,770,673

15. Capital Management

The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators generally expect property and casualty companies to comply with capital adequacy requirements. This test compares a Company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors. The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and if deemed necessary.

The MCT for the company at December 31, 2025 was 493% (536% at December 31, 2024).

For the purpose of capital management, the Company has defined capital as policyholders' equity.

Ayr Farmers Mutual Insurance Company

132nd Annual General Meeting

TAKE NOTICE that the Annual General Meeting of the Members of Ayr Farmers Mutual Insurance Company will be held at the head office of Ayr Farmers Mutual Insurance Company, 1400 Northumberland Street., Ayr Ontario on the 6th day of March, 2026 at 2:00 p.m. for the purposes of:

1. To receive the annual statement for the year ending December 31st, 2025;
2. To appoint auditors for 2026 and authorize the Board to fix their remuneration;
3. To elect two Directors for a three (3) year term. Directors whose terms expire at the meeting are Dave Thompson and Ed Hesselink, both of whom are eligible to be re-elected and are recommended by the Governance and Nomination Committee for re-election in accordance with Bylaw #1-2023 Section 23.e).

BY ORDER OF THE BOARD OF DIRECTORS, dated at Ayr, Ontario, this 23rd day of January, 2026.

Please R.S.V.P. your attendance before midnight on Thursday, February 26th, 2026, by emailing AGM@ayrmutual.com with your full name, phone number, and policy number, or by scanning this QR code.



The annual statements will be made available on the website of the Company no later than 21 days prior to the Annual General Meeting. A member may obtain a copy of the annual statement by sending a written request to the Company's head office at least 14 days prior to the Annual and Special General Meeting.

A handwritten signature in white ink that reads "Paula McMahon".

Paula McMahon
Corporate Secretary



**PROTECTING YOU
SINCE 1893**