Ayr Farmers Mutual Insurance Company

130TH ANNUAL REPORT

2023 FINANCIAL STATEMENTS

From here, for you™

Building Relationships, Protecting Policyholders, and Caring for Our Communities.

CHAIR'S MESSAGE

It was an honour to serve as Chair of the Board of Directors for the past year. Please find enclosed the annual financial report for the year ended December 31, 2023, on behalf of the Board of Ayr Farmers Mutual Insurance Company.

The Board continues to evaluate and approve the Company's strategic initiatives, ensuring they appropriately achieve the vision and mission of the organization. This is accomplished through regular updates from management on the progress made during the first year of our three-year strategic plan.

Provincially regulated financial institutions have a new governing body known as the Financial Services Regulatory Authority (FSRA). The Board continues to ensure it understands and applies strong governance practices to meet or achieve the standards and expectations of our regulator. The Board is satisfied that management continues to achieve and respond to the expectations and that compliance requirements have been fulfilled.

We continue to strengthen our corporate governance and risk management practices as a Board. The enterprise risk management program is reviewed on a quarterly basis, providing the opportunity for the Board to understand the nature and magnitude of significant risks to the Company including cyber security, financial risk trends as well as emerging risks, ensuring the appropriate risk appetite and tolerance levels are set. The Board has also supported further environmental, social and governance (ESG) activities, including donating ten percent of our charitable donations to environmental causes, reinforcing our strong beliefs in environmental stewardship. We are excited about this opportunity and journey to further our sustainable impacts, from an ESG standpoint.

We continue to advance our good governance practices. The role of Board Chair has significant impact on the Board's overall effectiveness. The Board will be implementing a new Board Chair role selection process that will ensure the Director best suited and equipped for the role is appointed with full support of the Board. Foundational work has begun to develop an HR & Governance Committee whose key role is to ensure the soundness of the Company's governance structure and processes. This will better align AFM with Government Regulators guidelines and continue our strong commitment to our Policyholders.

At the annual and special general meeting in March, we will be seeking support from our membership to approve updates and changes to our by-laws that support the changes made within the Corporations Act. In addition, the Board has discussed the application of Board of

Director term limits and are recommending five three-year term limits to be added to our by-laws. The implementation of term limits ensures that we have intentional turnover within the Board of Directors to allow opportunity to seek further diversity in skill sets, executive experience, gender, and cultural fit.

Once again, Ayr Farmers Mutual has in its heart the Community. We have continued our support of many groups, charities, and foundations. We realize how important it is to continue to support grassroot groups in the areas where we live and serve our Policyholders. In 2024 we look forward to participating in the Village of Ayr's 200th anniversary celebrations.

We are proud to continue support of the AFM scholarship program created in 2014, providing scholarships to Policyholder's children pursuing post-secondary education. This past year, 39 scholarship submissions were received, the highest number of submissions since the program's inception.

On behalf of your Board of Directors we would like to thank the Ayr Farmers Mutual family, Brokers, and Policyholders for their support.

Mutually yours,

Jason Vernooy
Board Chair

Jason Vernooy pictured with members of the Rockton Agricultural Society at the Ayr Farmers Mutual Volunteer Appreciation Night

PRESIDENT & CEO's MESSAGE

There is no question that the past few years have been challenging for many businesses and organizations. Ayr Farmers Mutual (AFM) has experienced challenges in numerous different forms just as many insurance companies have across Canada; however, the future at AFM is bright and full of positive development to enable our mission of building lifelong relationships through personal experiences to protect and care for our people, Policyholders, and the communities that we proudly serve.

My confidence in our future comes from the confidence I have in our people. Being an employee of the organization for more than 30 years, I could not be prouder of the team we have assembled who are inspired to serve our Policyholders and make a difference in the communities that we live and work in. A group of individuals who are truly invested in the progression and success of AFM, and in making a difference whenever and wherever possible. A team that cares and is highly engaged is a team that has and will continue to drive our success in all facets.

Performance and Progress

Financial results for AFM were very positive as we saw overall premiums grow by 10% in 2023. This increase came through new business growth, strong retention, and insurance to value adjustments, bringing our total premiums to just under $46M. Investment returns fluctuated; however, markets recovered late in the year and boosted our financial position. Operations were strong, and with the avoidance of a major storm loss, underwriting profit was $1.7M. Our overall net income was $5.6M offsetting the restated net loss of $6.145M in 2022, demonstrating the year over year volatility that can be realized in financial performance.

New international financial reporting standards for all insurers, known as IFRS 17, were introduced in 2023. These changes required significant commitment and evaluation as Canada aims to align our financial reporting to a more globally used standard.

While it is easy to get excited about a strong financial year, it also signifies the changing and unpredictable environment we operate within, influencing both poor and strong results in successive years. The Company has invested resources into our property premium rating methodology to ensure that each Policyholder is paying an appropriate premium for the property risks they are insuring. As a Mutual insurance company, our goal is to serve each Policyholder in a fair and equitable manner, which is now more responsibly applied with the new residential rating methodology.

Strategic Initiatives

Every three years AFM refreshes its strategic plan, and in 2023 we completed the first year of the three-year strategy cycle. Our strategy is the foundation and path for building and maintaining a successful and sustainable organization. We utilize a planning strategy that involves feedback and communication within our stakeholders' groups. Priorities and key results are established, measured, and monitored based on quarterly sprints. The 2023 results have been positive in all areas. Six strategic capabilities and objectives have been identified in our strategy to support the achievement of our winning aspiration: Caring about people first, we will gain the highest levels of engagement, loyalty, and referrals. The objectives are:

- Build Connections and Care for our Team
- Deliver Financial Stability
- Provide Protection & Market Leading Service
- Improve Workflows to Create Capacity to Care for Policyholders
- Build Brand Awareness & Support Communities
- Promote Sustainability and Resilience

Thanks to the incredibly dedicated team, the Company completed an impressive 116 key results in 2023.

Risk Management and Oversight

The Company provides ongoing attention to risk management and risk oversight, reporting regularly to our Board of Directors. Inherent risk is part of any business; however, the insurance industry is seeing new and emerging risks entering our space on an ongoing basis.

Climate risk is of great importance to the sustainability and stability of long-term premium costs, profitability, and coverage protection. Weather events are occurring more often and with greater severity affecting losses. Unlike 2022 we are pleased to report that AFM did not experience a significant loss event in 2023; however, many insurers and reinsurers in the industry have realized significant losses and anticipate these trends to continue. This directly impacts claims expenses, rating, and reinsurance premiums. For AFM, our Catastrophe and Property reinsurance rating were heavily impacted in 2023 and again for 2024.

Inflation has escalated over the past three years and continues to be a challenge as we see the costs of operating the company heavily increase. On our claims side, the cost of vehicle repairs has skyrocketed, along with the costs to rebuild structures and homes increasing dramatically.

Global economic performance has impacted AFM in recent years. In 2022, we experienced a significant downturn in our investment portfolio, and in 2023 the portfolio recovered, reduced, and recovered again by year-end. This continues to be very unstable and heavily influenced by inflation, global wars, supply/demand, and a potential recession.

There are many forms of risk the Company measures and monitors annually. The risks within our control provide us with the opportunity to make strategic decisions to manage, while other risks we must assume by nature.

Sustainability

AFM believes in strong social stewardship and sustainable actions. This is reflected in our core values and helps to foster stronger, safer communities. Our annual donation budget commits over $100,000 into the communities that we serve. In 2023 through the Company's environmental, social and governance (ESG) activities, we devoted 10% of our overall donation budget to environmental causes. Our scholarship program provided $26,900 in total funds to 39 students attending post-secondary education and who are children of our Policyholders.

Our employees committed to a minimum of 525 community volunteer hours and exceeded that goal with an astounding 787 hours of service back into our communities. This included many environmental initiatives within the community such as roadside clean up, growing a vegetable garden and donating the food to various user groups, and education of our employees on reducing waste hosted by the Region of Waterloo, and how to start a vegetable garden hosted by a local Horticultural Society. Our equity, diversity, and inclusion (EDI) initiatives allowed us to have two education sessions for our staff and board of directors, along with the formation of our EDI committee that will focus on ensuring an inclusive culture.

From a governance perspective, working with a new regulatory body has created much change for provincially regulated institutions. AFM strives to meet or exceed compliance standards, quality reviews and customer service standards.

As we get set for another busy year ahead, I want to thank our incredible team of staff, Agents, and Brokers. Your commitment allows AFM to be a leader within the Mutual Insurance space. Our valued Policyholders are what motivate us each and every day and we thank you for placing your insurance with us. Wishing everyone a safe and healthy year ahead.

Mutually yours,

Jeff Whiting

Jeff Whiting CIP
President & CEO

Ayr Farmers Mutual Insurance Company

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31ST, 2023

From here, for you™

Ayr Farmers Mutual Insurance Company

DECEMBER 31, 2023
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Ayr Farmers Mutual Insurance Company

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2023

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 26, 2024 expresses their unmodified opinion on the Company's 2023 financial statements.

Jeff Whiting, CIP
President & CEO

David Paterson, BBA
Chief Financial Officer

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Graham Mathew

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, 2023, 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, 2023, 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.

Graham Mathew Professional Corporation

Cambridge, Ontario
January 26, 2024

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

Ayr Farmers Mutual Insurance Company

FINANCIAL POSITION
DECEMBER 31, 2023

	2023 $	2022 $	As at January 1, 2022 $
ASSETS			
Cash and short-term deposits	**17,941,361**	15,637,284	15,099,038
Reinsurance contracts assets (note 4)	**3,448,057**	7,302,615	5,492,547
Prepaid expenses	**804,985**	809,268	369,720
Income taxes recoverable		4,121,528	
Current assets	**22,194,403**	27,870,695	20,961,305
Investments (note 7)	**83,729,636**	73,934,219	80,911,154
Property, plant and equipment (note 8)	**3,343,105**	3,484,615	3,713,335
	109,267,144	105,289,529	105,585,794
LIABILITIES			
Accounts payable and accrued liabilities	**984,513**	607,591	772,356
Provision for policyholder refunds			1,130,000
Income taxes payable	**1,978,913**		831,221
Deferred tax liabilities	**228,000**	283,000	121,000
Current liabilities	**3,191,426**	890,591	2,854,577
Liability for remaining coverage	**6,751,981**	6,147,766	5,676,934
Liability for incurred claims (note 4)	**24,264,897**	28,815,362	21,473,338
Total insurance contract liabilities	**31,016,878**	34,963,128	27,150,272
Total liabilities	**34,208,304**	35,853,719	30,004,849
POLICYHOLDERS' EQUITY			
Policyholders' equity (page 6)	**75,058,840**	69,435,810	75,580,945
	109,267,144	105,289,529	105,585,794

APPROVED BY THE BOARD:

David Jamieson Director

Cathy Jamieson Director

The explanatory financial notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

	2023 $	2022 $
Insurance revenue (note 14)	**43,776,095**	41,062,948
Insurance service expense (note 5)	**(26,380,572)**	(36,656,406)
Insurance service result before reinsurance	**17,395,523**	4,406,542
Reinsurance premiums ceded	**(4,127,373)**	(3,474,187)
Recoverable from (expenditure to) reinsurers for incurred claims	**(2,708,666)**	1,704,597
Net expense for reinsurance contracts	**(6,836,039)**	(1,769,590)
Insurance service result	**10,559,484**	2,636,952
Investment income (loss) (note 12)	**5,829,880**	(4,021,908)
Finance income (expense) for insurance contracts issued	**(1,205,668)**	349,925
Finance income (expense) for reinsurance contracts	**265,805**	(167,944)
Net insurance financial result	**15,449,501**	(1,202,975)
Other revenue (expense)		
Refund (payment) from surplus	**(3,403)**	81,445
Other expenses (note 5)	**(7,913,106)**	(7,321,853)
Income (loss) before income taxes	**7,532,992**	(8,443,383)
Income tax recovery (expense)		
Current (note 10)	**(1,964,962)**	2,460,248
Deferred	**55,000**	(162,000)
	(1,909,962)	2,298,248
Net income (loss), being total comprehensive income (loss) for year	**5,623,030**	(6,145,135)

The explanatory financial notes form an integral part of these financial statements.

STATEMENT OF POLICYHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2023

	2023 **$**	2022 $
Balance at beginning of year	**69,435,810**	75,580,945
Net income (loss), being total comprehensive income (loss) for year	**5,623,030**	(6,145,135)
Balance at end of year	**75,058,840**	69,435,810

The explanatory financial notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023 $	2022 $
Cash flows from operating activities:		
Net income (loss), being total comprehensive income (loss) for year	**5,623,030**	(6,145,135)
Items not involving cash:		
Amortization and depreciation	**902,610**	1,037,328
Deferred income tax	**(55,000)**	162,000
Unrealized losses (gains) on investments	**(3,119,231)**	5,935,593
	3,351,409	989,786
Net change in non-cash working capital balances relating to operations:		
Reinsurance contract assets	**3,854,558**	(1,810,068)
Income taxes payable	**6,100,441**	(4,952,749)
Accounts payable and accrued liabilities	**376,922**	(164,765)
Liability for remaining coverage	**604,215**	(260,901)
Liability for incurred claims	**(4,550,465)**	8,073,755
Prepaid expenses	**4,283**	(439,548)
	9,741,363	1,435,510
Cash flows from investment activities:		
Proceeds from sale of investments	**68,032,763**	52,604,773
Purchase of investments	**(75,292,486)**	(51,889,242)
Net additions to property, plant and equipment and intangible assets	**(761,099)**	(808,607)
Investment income due and accrued	**(26,888)**	(92,840)
Recognized losses on investments	**610,424**	418,652
	(7,437,286)	232,736
Cash flows from financing activities:		
Provision for refund from premiums, net change		(1,130,000)
Increase in cash during year	**2,304,077**	538,246
Cash, beginning of year	**15,637,284**	15,099,038
Cash, end of year	**17,941,361**	15,637,284

The explanatory financial notes form an integral part of these financial statements.

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 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 26, 2024.

2. **Summary of Significant Accounting Policies**

   (a) Basis of presentation

   Changes in accounting policies and disclosures

   In these financial statements, the Company has applied IFRS 17 for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

   IFRS 17 Insurance contracts

   IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after January 1, 2023.

   The Company has restated comparative information for 2022. The nature of the changes in accounting policies can be summarized, as follows:

   (i) Changes to classification and measurement

   The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. However, 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 differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

   - 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 (previously claims outstanding and incurred-but-not reported (IBNR) 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.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of presentation (continued)

IFRS 17 Insurance contracts (continued)

(i) Changes to classification and measurement (continued)

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).

(ii) Changes to 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.

The line-item descriptions in the statement of comprehensive income have been changed significantly compared with last year. Changes to the line-item descriptions include:

Under IFRS 4, the Company presented:	**IFRS 17 requires separate presentation of:**
Gross written premiums	
Changes in premium reserves	Insurance revenue
Net insurance premium revenue	
Gross claims expenses	Insurance service expenses
Commission income and expenses	
Reinsurer's share of claims and benefits incurred	Income or expenses from reinsurance contracts held
	Insurance finance income or expenses
	Reinsurance finance income or expense

(iii) Transition

On the transition date, January 1, 2022, the Company:

- Has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied,
- Derecognized any existing balances that would not exist had IFRS 17 always applied,
- Recognized any resulting net difference in equity.

2. Significant Accounting Policies (Continued)

(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 Company previously applied aggregation levels, which were higher than the level of aggregation required by IFRS 17. 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.

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.

2. Significant Accounting Policies (Continued)

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

(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.

(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.

2. **Significant Accounting Policies (Continued)**

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

(vi) Measurement – Premium Allocation Approach

	IFRS 17 Options	***Adopted approach***
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for all insurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.	For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LFIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all business lines, adjustments are made for the time value of money when assessing the incurred claims
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in other comprehensive income.	For all contracts, the change in LFIC as a result of changes in discount rates will be captured within comprehensive income.

(vii) 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.

2. Significant Accounting Policies (Continued)

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

(vii) Insurance contracts – initial measurement (continued)

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.

(viii) 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.

(ix) 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).

2. Significant Accounting Policies (Continued)

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

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.

2. Significant Accounting Policies (Continued)

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

(xiv) 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.

(xv) 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.

(xvi) Loss-recovery components

As described in note 2(b)(xv) 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.

(xvii) 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.

(xviii) 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.

2. Significant Accounting Policies (Continued)

(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.

(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 remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now 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.

(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.

3. Accounting Estimates and Judgements (Continued)

(i) Insurance contracts (continued)

(b) Liability for incurred claims (continued)

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	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Insurance Contract Liabilities	4.52	4.41	3.70	3.97	3.53	3.86	3.77	4.08
Reinsurance Contract Assets	4.52	4.41	3.70	3.97	3.53	3.86	3.77	4.08

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

(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 75th 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 75th 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.

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 $1,000,000 in the event of a property claim, an amount of $1,100,000 in the event of an automobile claim and $1,000,000 in the event of a liability claim. The Company also obtained reinsurance, which limits the Company's liability to $3,000,000 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.

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

	December 31, 2023			December 31, 2022		
	Gross Claims $	**Reinsurance of Claims $**	**Net Claims $**	Gross Claims $	Reinsurance of Claims $	Net Claims $
Property	**5,212,307**	**2,330,421**	**2,881,886**	10,368,501	3,400,578	6,967,923
Automobile	**13,597,456**	**984,636**	**12,612,820**	14,388,092	3,742,412	10,645,680
Liability	**5,455,134**	**133,000**	**5,322,134**	4,058,769	159,625	3,899,144
Total net insurance contracts	**24,264,897**	**3,448,057**	**20,816,840**	28,815,362	7,302,615	21,512,747

(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.

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.

			2023			
		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 %	(839,915)	(725,913)	(617,338)	(533,546)
Inflation rate	+	5 %	(839,915)	(725,913)	(617,338)	(533,546)
Expected loss	-	5 %	839,915	725,913	617,338	533,546
Inflation rate	-	5 %	839,915	725,913	617,338	533,546

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(i) Sensitivities (continued)

		Change in assumptions	2022 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 %	(1,018,060)	(834,208)	(1,018,060)	(834,208)
Inflation rate	+	5 %	(1,018,060)	(834,208)	(1,018,060)	(834,208)
Expected loss	-	5 %	1,018,060	834,208	1,018,060	834,208
Inflation rate	-	5 %	1,018,060	834,208	1,018,060	834,208

(ii) Claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR 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.

		2023			2022		
	Note	**Estimates of the PVFCF**	**Risk adjustment**	**Total**	Estimates of the PVFCF	Risk adjustment	Total
Total gross liabilities for incurred claims	6(a)	23,089,497	1,175,400	24,264,897	28,183,072	632,289	28,815,362
Amounts recoverable from reinsurance	6(b)	3,316,896	131,161	3,448,057	7,123,220	179,395	7,302,615
Total net liabilities for incurred claims		19,772,601	1,044,239	20,816,840	21,059,852	452,894	21,512,747

* PVFCF refers to present value of future cash flows

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2023

	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	2023 $	Total $
End of insured event year	19,407,545	15,516,349	16,266,985	20,066,216	27,105,724	18,196,161	18,215,324	19,444,709	31,176,580	22,118,106	
One year later	18,318,339	14,105,907	15,238,583	17,496,882	24,238,368	18,100,653	18,208,357	19,689,507	29,643,167		
Two years later	17,702,555	13,134,710	14,316,175	16,286,880	23,631,612	16,825,800	18,413,260	19,815,623			
Three years later	15,585,288	12,815,015	13,853,232	16,135,613	23,675,838	16,950,754	18,269,351				
Four years later	15,593,212	12,997,689	13,722,656	15,854,768	24,173,008	17,118,970					
Five years later	16,038,716	12,771,600	13,900,169	16,243,938	23,513,394						
Six years later	16,267,009	13,142,805	13,797,977	16,045,667							
Seven years later	17,180,374	13,099,636	13,588,152								
Eight years later	16,399,955	13,114,711									
Nine years later	16,140,736										
Gross estimates of the undiscounted amount of the claims	16,140,736	13,114,711	13,588,152	16,045,667	23,513,394	17,118,970	18,269,351	19,815,623	29,643,167	22,118,106	189,367,877
Cumulative payments to date	16,140,736	12,996,431	13,588,152	15,948,366	22,585,005	15,941,182	15,385,431	15,604,069	23,615,433	12,916,133	164,720,938
Outstanding claims		118,280		97,301	928,389	1,177,788	2,883,920	4,211,554	6,027,734	9,201,973	24,646,939
Outstanding claims 2013 and prior											267,669
Effect of discounting											(546,655)
Other attributable expenses											(103,056)
Total gross liabilities for incurred claims											24,264,897

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2023

	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	2023 $	Total $
End of insured event year	15,242,298	14,631,176	15,309,443	17,354,221	23,287,321	16,577,514	17,138,056	17,649,966	27,481,294	21,703,295	
One year later	14,334,092	13,440,454	14,516,147	15,976,001	22,527,957	17,337,045	16,645,009	16,894,328	27,508,515		
Two years later	13,497,553	12,925,710	13,892,957	15,291,183	22,246,263	16,413,054	18,056,415	17,982,427			
Three years later	12,042,304	12,740,015	13,650,014	15,165,643	22,370,952	16,752,116	17,757,223				
Four years later	12,112,135	12,972,689	13,543,752	14,816,171	22,765,592	17,151,850					
Five years later	12,182,318	12,775,607	13,659,054	15,290,284	22,363,857						
Six years later	12,241,467	13,086,203	13,619,925	15,185,054							
Seven years later	12,223,436	13,106,094	13,457,259								
Eight years later	12,184,699	12,997,528									
Nine years later	12,165,809										
Gross estimates of the undiscounted amount of the net claims	12,165,809	12,997,528	13,457,259	15,185,054	22,363,857	17,151,850	17,757,223	17,982,427	27,508,515	21,703,295	78,272,817
Cumulative payments to date	12,165,809	12,879,248	13,457,259	15,105,753	21,557,171	16,007,062	15,228,303	15,156,873	22,420,117	13,025,322	57,002,917
Outstanding claims		118,280		79,301	806,686	1,144,788	2,528,920	2,825,554	5,088,398	8,677,973	21,269,900
Outstanding claims 2013 and prior											267,669
Effect of discounting											(403,540)
Other attributable expenses											(317,189)
Total net liabilities for incurred claims											20,816,840

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2022

	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
End of insured event year	14,651,019	19,407,545	15,516,349	16,266,985	20,066,216	27,105,724	18,196,161	18,215,324	19,444,709	31,176,580	
One year later	12,939,173	18,318,339	14,105,907	15,238,583	17,496,882	24,238,368	18,100,653	18,208,357	19,689,507		
Two years later	12,691,808	17,702,555	13,134,710	14,316,175	16,286,880	23,631,612	16,825,800	18,413,260			
Three years later	12,979,054	15,585,288	12,815,015	13,853,232	16,135,613	23,675,838	16,950,754				
Four years later	13,131,414	15,593,212	12,997,689	13,722,656	15,854,768	24,173,008					
Five years later	13,124,781	16,038,716	12,771,600	13,900,169	16,243,938						
Six years later	13,542,269	16,267,009	13,142,805	13,797,977							
Seven years later	13,717,104	17,180,374	13,099,636								
Eight years later	13,764,215	16,399,955									
Nine years later	13,826,123										
Gross estimates of the undiscounted amount of the claims	13,826,123	16,399,955	13,099,636	13,797,977	16,243,938	24,173,008	16,950,754	18,413,260	19,689,507	31,176,580	183,770,738
Cumulative payments to date	13,517,666	16,140,736	12,984,328	13,384,769	15,772,571	22,397,265	15,331,807	14,918,994	14,454,393	14,874,954	153,777,483
Outstanding claims	308,457	259,219	115,308	413,208	471,367	1,775,743	1,618,947	3,494,266	5,235,114	16,301,626	29,993,255
Outstanding claims 2012 and prior											NIL
Effect of discounting											(1,141,213)
Other attributable expenses											(36,680)
Total gross liabilities for incurred claims											28,815,362

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2022

	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
End of insured event year	13,105,450	15,242,298	14,631,176	15,309,443	17,354,221	23,287,321	16,577,514	17,138,056	17,649,966	27,481,294	
One year later	11,903,065	14,334,092	13,440,454	14,516,147	15,976,001	22,527,957	17,337,045	16,645,009	16,894,328		
Two years later	11,995,006	13,497,553	12,925,710	13,892,957	15,291,183	22,246,263	16,413,054	18,056,415			
Three years later	12,493,087	12,042,304	12,740,015	13,650,014	15,165,643	22,370,952	16,752,116				
Four years later	12,545,963	12,112,135	12,972,689	13,543,752	14,816,171	22,765,592					
Five years later	12,415,455	12,182,318	12,775,607	13,659,054	15,290,284						
Six years later	12,488,101	12,241,467	13,086,203	13,619,925							
Seven years later	12,524,994	12,223,436	13,106,094								
Eight years later	12,558,562	12,184,699									
Nine years later	12,620,760										
Gross estimates of the undiscounted amount of the net claims	12,620,760	12,184,699	13,106,094	13,619,925	15,290,284	22,765,592	16,752,116	18,056,415	16,894,328	27,481,294	168,771,507
Cumulative payments to date	12,312,303	12,165,809	12,990,786	13,250,719	14,929,917	21,367,849	15,393,169	14,758,027	14,329,630	14,920,071	146,418,280
Outstanding claims	308,457	18,890	115,308	369,206	360,367	1,397,743	1,358,947	3,298,388	2,564,698	12,561,223	22,353,227
Outstanding claims 2012 and prior											NIL
Effect of discounting											(755,250)
Other attributable expenses											(85,230)
Total net liabilities for incurred claims											21,512,747

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 67% 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:

	2023			
	A or better	**Less than A**	**Not rated**	**Total**
Insurance contract assets - bonds	31,438,743	9,754,118	5,762,348	46,955,209
Reinsurance contract assets		2,280,039		2,280,039
	31,438,743	12,034,157	5,762,348	49,235,248

	2022			
	A or better	**Less than A**	**Not rated**	**Total**
Insurance contract assets - bonds	33,796,894	9,370,833	3,293,112	46,460,839
Reinsurance contract assets		3,677,028		3,677,028
	33,796,894	13,047,861	3,293,112	50,137,867

Concentrations of credit risk

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

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.

The maturity profile of the company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarized in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analyzed by their expected payment dates.

		2023	
	Short-term	**Long-term**	**Total**
Insurance Assets			
Reinsurance contract assets	1,887,133	1,560,924	3,448,057
Financial Assets			
Cash and short-term deposits	17,941,361		17,941,361
Investments	20,112,346	39,833,159	59,945,505
	38,053,707	39,833,159	77,886,866
Insurance Contract Liabilities			
Liability for incurred claims	12,677,041	11,587,856	24,264,897
Liability for remaining coverage	6,751,981		6,751,981
	19,429,022	11,587,856	31,016,878
Financial liabilities			
Accounts payable and accrued liabilities	984,513		984,513
Deferred tax liability	93,000	135,000	228,000
Income taxes payable	1,978,913		1,978,913
	3,056,426	135,000	3,191,426
Net liquidity gap	17,455,392	29,671,227	47,126,619

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Liquidity risk (continued)

	2022		
	Short-term	**Long-term**	**Total**
Insurance Assets			
Reinsurance contract assets	6,206,911	1,095,704	7,302,615
Financial Assets			
Cash and short-term deposits	15,637,284		15,637,284
Investments	17,965,159	39,960,855	57,926,014
Income tax receivable	4,121,528		4,121,528
	37,723,971	39,960,855	77,684,826
Insurance Contract Liabilities			
Liability for incurred claims	14,805,972	14,009,390	28,815,362
Liability for remaining coverage	6,147,766		6,147,766
	20,953,738	14,009,390	34,963,128
Financial liabilities			
Accounts payable and accrued liabilities	607,591		607,591
Deferred tax liability	93,000	190,000	283,000
	700,591	190,000	890,591
Net liquidity gap	22,276,553	26,857,169	49,133,722

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.

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(i) Interest rate risk (continued)

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, 2023, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by approximately $1,730,728.

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.

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.

		2023		2022	
	Change in interest rate	**Effect on Net profit**	**Effect on Equity**	**Effect on Net profit**	**Effect on Equity**
Debt Instruments	+100 bps	(1,731,000)	(1,272,000)	(1,385,000)	(1,018,000)
Debt Instruments	- 100 bps	1,731,000	1,272,000	1,385,000	1,018,000

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(i) 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 $2,380,000. 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.

(ii) 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 $135,000, 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

	2023	2022
Claims and benefits	19,055,667	30,034,994
Salaries, employee benefits and directors' fees	5,891,952	5,325,592
Professional fees (other than legal)	42,311	79,816
Legal fees	16,178	32,065
Commissions	5,374,005	5,135,927
Depreciation and amortization	833,792	1,000,122
Occupancy expenses (including rent, leasing and maintenance)	541,330	509,127
Information technology	1,256,438	1,150,171
Other general expenses	1,282,005	710,445
Total	34,293,678	43,978,259
Represented by:		
Insurance service expenses	26,380,572	36,656,406
General and operating expenses	7,913,106	7,321,853
Total	34,293,678	43,978,259

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.

	2023				
	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	6,147,766		28,183,072	632,290	34,963,128
Insurance revenue	(43,776,095)				(43,776,095)
Insurance service expenses					
Incurred claims and other directly attributable expenses			31,325,599	474,241	31,799,840
Insurance acquisition cash flows amortization	7,321,164				7,321,164
Changes that relate to past service – adjustments to the liability for incurred claims			(12,809,301)	68,869	(12,740,432)
Insurance service result	(36,454,931)		18,516,298	543,110	(17,395,523)
Insurance finance expenses			1,205,668		1,205,668
Total changes in the statement of comprehensive income	(36,454,931)		19,721,966	543,110	(16,189,855)
Cash flows					
Premiums received	44,607,277				44,607,277
Claims and other directly attributable expenses paid			(24,815,541)		(24,815,541)
Insurance acquisition cash flows	(7,548,131)				(7,548,131)
Total cash flows	37,059,146		(24,815,541)		12,243,605
Insurance contract liabilities, end of year	6,751,981		23,089,497	1,175,400	31,016,878

* PVFCF refers to present value of future cash flows

6. **Insurance and Reinsurance Contracts (Continued)**

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

	2022				
	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	5,676,934		20,713,540	759,798	27,150,272
Insurance revenue	(41,062,948)				(41,062,948)
Insurance service expenses					
Incurred claims and other directly attributable expenses			36,625,729	256,380	36,882,109
Insurance acquisition cash flows amortization	6,614,653				6,614,653
Changes that relate to past service – adjustments to the liability for incurred claims			(6,456,469)	(383,888)	(6,840,357)
Insurance service result	(34,448,295)		30,169,260	(127,508)	(4,406,543)
Insurance finance expenses			(349,971)		(349,971)
Total changes in the statement of comprehensive income	(34,448,295)		29,819,289	(127,508)	(4,756,514)
Cash flows					
Premiums received	41,782,991				41,782,991
Claims and other directly attributable expenses paid			(22,349,757)		(22,349,757)
Insurance acquisition cash flows	(6,863,864)				(6,863,864)
Total cash flows	34,919,127		(22,349,757)		12,569,370
Insurance contract liabilities, end of year	6,147,766		28,183,072	632,290	34,963,128

*PVFCF refers to present value of future cash flows

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.

	2023				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	(259,283)				(259,283)
Reinsurance contract assets, beginning of year			7,382,503	179,395	7,561,898
Net balance asset (liability), beginning of year	(259,283)		7,382,503	179,395	7,302,615
Allocation of reinsurance premiums	(4,127,373)				(4,127,373)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses			2,795,213	60,766	2,855,979
Changes to amounts recoverable for incurred claims			(5,455,646)	(109,000)	(5,564,646)
Net expenses from reinsurance contracts held	(4,127,373)		(2,660,433)	(48,234)	(6,836,040)
Reinsurance finance income			265,805		265,805
Total changes in the statement of comprehensive income	(4,127,373)		(2,394,628)	(48,234)	(6,570,235)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	4,386,656				4,386,656
Amounts received			(1,670,979)		(1,670,979)
Total cash flows	4,386,656		(1,670,979)		2,715,677
Reinsurance contract assets, end of year			3,316,896	131,161	3,448,057

* PVFCF refers to present value of future cash flows

6. Insurance and Reinsurance Contracts (Continued)

(b) Reinsurance contracts (continued)

	2022				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	(106,995)				(106,995)
Reinsurance contract assets, beginning of year			5,341,072	258,470	5,599,542
Net balance asset (liability), beginning of year	(106,995)		5,341,072	258,470	5,492,547
An allocation of reinsurance premiums	(3,474,187)				(3,474,187)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses			2,903,101	78,142	2,981,243
Changes to amounts recoverable for incurred claims			(1,119,428)	(157,217)	(1,276,645)
Net income (expenses) from reinsurance contracts held	(3,474,187)		1,783,673	(79,075)	(1,769,589)
Reinsurance finance income			(167,994)		(167,994)
Total changes in the statement of comprehensive income	(3,474,187)		1,615,679	(79,075)	(1,937,583)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	3,321,899				3,321,899
Amounts received			425,752		425,752
Total cash flows	3,321,899		425,752		3,747,651
Net reinsurance contract asset (liability), end of year	(259,283)		7,382,503	179,395	7,302,615
Reinsurance contract liabilities, end of year	(259,283)				(259,283)
Reinsurance contract assets, end of year			7,382,503	179,395	7,561,898
Net reinsurance contract asset (liability), end of year	(259,283)		7,382,503	179,395	7,302,615

* PVFCF refers to present value of future cash flows

7. Investments

	2023		2022	
	Cost	**Fair value (Book value)**	Cost	Fair value (Book value)
	$	**$**	$	$
Debt securities:				
Federal			3,023,060	2,895,750
Provincial	**7,843,145**	**7,957,584**	4,041,200	3,694,640
Municipal			287,258	292,573
Corporate				
A or better	**15,859,370**	**15,265,861**	18,412,967	17,098,199
Below A	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Pooled funds	**23,237,255**	**22,660,142**	22,963,521	21,404,664
Fire Mutual Guarantee Fund	**71,622**	**71,622**	75,013	75,013
	48,011,392	**46,955,209**	49,803,019	46,460,839
Equity investments:				
Canadian common	**9,340,239**	**10,308,756**	4,956,196	5,549,531
Real estate and infrastructure	**10,500,123**	**12,716,070**	9,374,330	11,217,808
U.S. equities	**12,274,189**	**13,475,376**	9,343,078	10,458,674
	32,114,551	**36,500,202**	23,673,604	27,226,013
Accrued interest	**274,225**	**274,225**	247,367	247,367
	80,400,168	**83,729,636**	73,723,990	73,934,219

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

The debt securities mature as follows:

	2023	2022
	$	$
Within 1 year	**7,122,051**	6,499,984
Over 1 to 5 years	**21,395,046**	26,638,034
Over 5 years	**18,438,112**	13,322,821
	46,955,209	46,460,839

The effective investment yield for the year is 6.3% (-4.3% for 2022).

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;

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, 2023 and December 31, 2022, the company held only level 2 investments.

December 31, 2023	Level 1 $	Level 2 $	Level 3 $	**Total** **$**
Bonds				
Federal		**7,957,584**		7,957,584
Corporate		**16,265,870**		16,265,870
Fire Mutual Guarantee Fund		**71,622**		71,622
Accrued investment income		**274,225**		274,225
Pooled funds				
Canadian fixed income		**22,660,142**		22,660,142
Canadian equity		**10,308,756**		10,308,756
U.S. equity		**13,475,367**		13,475,367
Real estate and infrastructure		**12,716,070**		12,716,070
Total investments measured at fair value	**NIL**	**83,729,636**	NIL	83,729,636

December 31, 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Bonds				
Federal		2,895,750		2,895,750
Provincial		3,694,640		3,694,640
Municipal		292,573		292,573
Corporate		18,098,199		18,098,199
Fire Mutual Guarantee Fund		75,013		75,013
Accrued investment income		247,367		247,367
Pooled funds				
Canadian fixed income		21,404,664		21,404,664
Canadian equity		5,549,531		5,549,531
U.S. equity		10,458,674		10,458,674
Real estate and infrastructure		11,217,808		11,217,808
Total investments measured at fair value	NIL	73,934,219	NIL	73,934,219

There were no transfers between levels for the years ended December 31, 2023 and 2022.

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 other operating and administrative expenses in the statement of comprehensive income and is provided over the estimated useful life of the asset.

		2023		
	Depreciation rate	**Cost**	**Accumulated Depreciation**	**Net Book Value**
		$	**$**	**$**
Land		**154,073**		**154,073**
Buildings	**4%**	**3,635,301**	**1,860,164**	**1,775,137**
Computer hardware	**3 years**	**727,658**	**550,142**	**177,516**
Furniture and fixtures	**5 years**	**1,647,596**	**1,312,043**	**335,553**
Vehicles	**30%**	**247,592**	**87,016**	**160,576**
Computer software	**50%**	**6,682,629**	**5,942,379**	**740,250**
		13,094,849	**9,751,744**	**3,343,105**

		2022		
	Depreciation rate	Cost	Accumulated Depreciation	Net Book Value
Land		154,073		154,073
Buildings	4%	3,597,659	1,786,200	1,811,459
Computer hardware	3 years	578,010	445,350	132,660
Furniture and fixtures	5 years	1,573,797	1,203,373	370,424
Vehicles	30%	220,293	103,144	117,149
Computer software	50%	6,294,863	5,396,013	898,850
		12,418,695	8,934,080	3,484,615

The unamortized cost of capital assets available to reduce net income for income tax purposes amounts to approximately $1,790,000 ($1,933,000 in 2022).

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.

9. Pension Plan (Continued)

During 2023, the amount contributed to the plan for current service was $550,046 ($485,095 in 2022). In addition, the company was required to contribute $NIL ($43,627 in 2022) for past service. These amounts have been recognized in comprehensive income. The Company had a 5.5% share of the total contributions to the Plan in 2023. The expected contribution to the Plan for 2024 is $620,000.

An actuarial valuation of the Pension Plan as of December 31, 2021 showed a going-concern surplus position. The next actuarial valuation to be filed under the Pension Benefit Act will be as of December 31, 2024.

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% (26.3% in 2022) are as follows:

	2023 $	2022 $
Income (loss) before income taxes (recovery)	**7,532,992**	(8,443,383)
Expected taxes (recovery) based on the statutory rate of 26.5% (26.3% in 2022)	**1,996,243**	(2,519,598)
Claims reserves timing differences	**52,688**	111,830
Other non-deductible expenses	**4,598**	3,428
Difference between depreciation and capital cost allowance	**7,984**	36,842
Other non-taxable income	**(96,551)**	(92,750)
Current year income tax expense (recovery)	**1,964,962**	(2,460,248)

11. Salaries, Benefits and Directors Fees

Underwriter salaries and benefits	**885,711**	830,647
Sales salaries and commissions	**5,374,005**	5,135,927
Other salaries, benefits and directors' fees	**5,006,241**	4,309,174
	11,265,957	10,275,748

Included in claims expenses were salary and benefit costs of $1,338,222 ($1,156,595 in 2022).

12. Investment Income (Loss)

Interest income	**2,513,744**	1,247,163
Dividend income	**777,956**	599,257
Realized losses on disposal of investments	**(610,424)**	(418,652)
Unrealized gains (losses) on investments	**3,119,231**	(5,935,593)
Investment expenses	**(280,193)**	(281,608)
Real estate pools and other	**309,566**	767,525
	5,829,880	(4,021,908)

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:

	2023	2022
	$	$
Compensation		
Salaries, benefits and directors' fees	**2,387,064**	2,311,775
Pension and other post-employment benefits	**186,710**	173,469
	2,573,774	2,485,244
Premiums	**133,787**	106,685
Claims paid	**17,756**	27,599

Amounts owing to and from key management personnel at December 31, 2023 are $NIL ($NIL in 2022) and $40,379 ($35,753 in 2022) respectively. The amounts are included in accounts payable and accrued liabilities and insurance contract liabilities on the statement of financial position.

14. Insurance Revenue

Gross premiums written	**45,840,915**	41,591,486
Crop assumed	**131,003**	128,710
Increase unearned premiums	**(2,470,347)**	(969,287)
Service fees & bad debts	**274,524**	312,039
	43,776,095	41,062,948

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, 2023 was 542% (605% at December 31, 2022).

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