THE COMMONWELL MUTUAL INSURANCE GROUP

ANNUAL REPORT

2024

Consolidated Financial Statements
(In Canadian dollars)

THE COMMONWELL MUTUAL INSURANCE GROUP

And Independent Auditor's Report thereon

Year ended December 31, 2024

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Policyholders of The Commonwell Mutual Insurance Group

Opinion

We have audited the consolidated financial statements of The Commonwell Mutual Insurance Group and its subsidiary (the "Group"), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 ***"Auditor's Responsibilities for the Audit of the Consolidated Financial Statements"*** section of our auditor's report.

We are independent of the Entity 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the consolidated financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

February 26, 2025

THE COMMONWELL MUTUAL INSURANCE GROUP

Consolidated Statement of Financial Position
(In thousands of Canadian dollars)

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Cash	$ 61,947	$ 31,371
Investment income due and accrued (note 5)	1,344	1,197
Investments (note 5)	445,694	417,429
Equity-accounted investees (note 6)	2,987	2,926
Reinsurance contract assets (note 7)	23,175	41,507
Property, plant, and equipment (note 8)	7,024	7,520
Intangible assets (note 8)	8,697	13,956
Prepaid expenses and other assets	1,585	1,824
Income taxes receivable (note 10)	–	4,942
Total assets	$ 552,453	$ 522,672
Liabilities		
Accounts payable and accrued liabilities (note 14)	$ 5,407	$ 8,477
Insurance contract liabilities (note 7)	304,335	271,370
Reinsurance contract liabilities (note 7)	789	693
Income taxes payable (note 10)	1,930	–
Deferred income taxes (note 10)	1,421	3,651
Total liabilities	313,882	284,191
Members' surplus:		
Retained earnings	236,824	236,841
Philanthropy fund (note 17)	1,747	1,640
Total members' surplus	238,571	238,481
Total liabilities and equity	$ 552,453	$ 522,672

Commitments and contingencies (note 18)

See accompanying notes to consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS,
THE COMMONWELL MUTUAL INSURANCE GROUP

C. Craven

Cheryl Craven, Board Chair

L. Belo

Lynn Belo, Audit & Risk Committee Chair

THE COMMONWELL MUTUAL INSURANCE GROUP

Consolidated Statement of Comprehensive Income
(In thousands of Canadian dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Insurance revenue	$ 304,873	$ 255,054
Insurance service expense	(286,326)	(259,078)
Insurance service result before reinsurance contracts held	18,547	(4,024)
Allocation of reinsurance premiums	(23,771)	(15,793)
Amounts recoverable from reinsurers for incurred claims	15,808	18,132
Net recoverable from reinsurance contracts held	(7,963)	2,339
Insurance service result	10,584	(1,685)
Interest revenue calculated using the effective interest method	2,006	2,555
Other interest, dividend and distribution income	11,405	10,406
Net gains on financial assets classified as FVPL	6,338	11,990
Net gains on financial assets designated as FVPL	9,588	3,589
Net gains on financial assets classified as amortized cost	233	–
Total investment income (note 12)	29,570	28,540
Net finance expense from insurance contracts	(12,359)	(9,120)
Net finance income from reinsurance contracts	1,676	1,822
Net insurance financial result	(10,683)	(7,298)
Net investment return and net insurance financial result	18,887	21,242
Other income and expense (note 11)	(29,332)	(24,129)
Income (loss) before income taxes	139	(4,572)
Income tax expense (recovery) (note 10)	156	(1,522)
Net income (loss) and comprehensive income (loss)	$ (17)	$ (3,050)

See accompanying notes to consolidated financial statements.

THE COMMONWELL MUTUAL INSURANCE GROUP

Consolidated Statement of Changes in Members' Surplus
(In thousands of Canadian dollars)

Year ended December 31, 2024, with comparative information for 2023

2024	Philanthropy fund	Retained earnings	Members' surplus
Balance, beginning of year	$ 1,640	$ 236,841	$ 238,481
Net income (loss) and comprehensive income (loss)	107	(17)	90
Balance, end of year	$ 1,747	$ 236,824	$ 238,571

2023	Philanthropy fund	Retained earnings	Members' surplus
Balance, beginning of year	$ 1,460	$ 239,891	$ 241,351
Net income (loss) and comprehensive income (loss)	180	(3,050)	(2,870)
Balance, end of year	$ 1,640	$ 236,841	$ 238,481

See accompanying notes to consolidated financial statements.

THE COMMONWELL MUTUAL INSURANCE GROUP

Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Loss for the year	$ (17)	$ (3,050)
Adjustments for:		
Depreciation and amortization	5,814	5,928
Philanthropy accrual	746	750
Interest and dividend income	(12,071)	(12,119)
Provision for income taxes	(2,230)	(1,866)
Realized loss (gain) on investments	(1,744)	2,773
Change in unrealized gain on investments	(14,415)	(18,352)
	(23,917)	(25,936)
Changes in non-cash operating items:		
Prepaid expenses and other receivables	239	(686)
Investment income due and accrued	(147)	(204)
Accounts payable and accrued liabilities	(3,070)	200
	(2,978)	(690)
Changes in insurance contract	32,965	15,848
Changes in reinsurance contracts	18,428	14,615
	51,393	30,463
Cash flows related to interest, dividends and income taxes:		
Interest and dividends received	13,674	13,167
Income taxes received	6,872	4,718
	20,546	17,885
Total cash inflows from operating activities	45,044	21,722
Investing activities:		
Broker loans, principal repayment, net of issuance	717	2,325
Joint venture contributions	(1,400)	(1,100)
Sales/maturities	234,401	190,260
Purchase of investments	(247,488)	(202,454)
Philanthropy payments	(639)	(570)
Purchases and disposals of property, plant and equipment and intangible assets	(59)	101
Total cash flows used in investing activities	(14,468)	(11,438)
Financing activities:		
Finance leases	–	1
Total cash flows from financing activities	–	1
Increase in cash	30,576	10,285
Cash, beginning of year	31,371	21,086
Cash, end of year	$ 61,947	$ 31,371

See accompanying notes to consolidated financial statements.

The Commonwell Mutual Insurance Group ("CMIG") and its wholly owned subsidiary, 1000283773 Ontario Inc. ("Holdco" and together the "Company") are incorporated under the laws of Ontario, with CMIG subject to the Insurance Act (Ontario). CMIG is licensed to write property, liability, automobile ("auto"), and farm insurance in Ontario. The Company's head office is located at 336 Angeline Street South, Lindsay, Ontario.

CMIG is subject to rate regulation in auto. Before auto rates can be changed, a rate filing must be prepared and must include actuarial justification for rate increases or decreases. All filings are approved or denied by the Financial Services Regulatory Authority of Ontario ("FSRA"). Rate regulation may affect the auto revenue that is earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

1. Basis of presentation:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). They have been authorized for issue by the Board of Directors on February 26, 2025

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency, and all values are rounded to the nearest thousand ("CDN $'000"), unless otherwise indicated.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. Basis of consolidation:

These consolidated financial statements include the results of operations and financial position of all entities controlled by CMIG and its subsidiary, Holdco. CMIG controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3. Material accounting policies:

(a) IFRS 17 - Insurance contracts and reinsurance contracts:

IFRS 17, Insurance Contracts ("IFRS 17"), establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, with an explicit risk adjustment for non-financial risk and a loss component for any expected onerous losses.

(i) 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 include auto, commercial, farm and property. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage because of a policyholder's accident.

The Company does not issue any contracts with direct participating features.

(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. Currently, the Company's products do not include any distinct components that require separation.

3. Material accounting policies (continued):

(iii) Levels of aggregation:

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts that have no significant possibility of becoming onerous, and all remaining contracts. 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 a portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. Subsequent to the initial recognition of contracts assessed as having no significant possibility of becoming onerous, the Company assesses the likelihood of changes in the applicable facts and circumstances.

The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Expected fulfilment ratio greater than 100%

- Historical trends

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 for which there is a net gain at initial recognition. For some groups of reinsurance contracts held, a group can comprise of a single contract.

3. Material accounting policies (continued):

(iv) Recognition:

The Company recognizes groups of contracts issued at the earlier of the beginning of the coverage period of the group of contracts; the date when the first payment from a policyholder or to the reinsurer in the group is due; and for groups of onerous contracts, if facts and circumstances indicate that a group is onerous.

The Company recognizes groups of reinsurance contracts held it has entered into from the earlier of the beginning of the coverage period of the group and the date the Company recognizes an onerous group of underlying insurance contracts.

(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.

The cash flows within the boundary of a reinsurance contract boundary are similar to insurance contracts issued, except the period is determined in which the Company is required to pay premiums or in which the Company has a substantive right to receive reinsurance contract services.

3. Material accounting policies (continued):

(vi) Measurement - Premium Allocation Approach:

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

- 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 unpaid claims and adjustment expenses) 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.

3. Material accounting policies (continued):

	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	The coverage period for primarily all insurance contracts issued is one year or less and so the Company applies the PAA. Each of the Company's reinsurance contracts held has an annual term, covering claims from the underlying contracts incurred within the year (i.e. loss occurring). Cash flows within the contract boundary are those arising from underlying claims incurred during the year, and the Company qualifies for using the PAA.
Insurance acquisition cash flows for insurance contracts issued	When the coverage period of all contracts within a group is not more 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 insurance contracts, issued, 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	When 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 a nominal allowance for the accretion of interest as the premiums are received within one year of the coverage period.

3. Material accounting policies (continued):

	IFRS 17 options	Adopted approach
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 product lines, adjustment are made for the time value of money when assessing the incurred claims liability.
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 ("OCI").	For all contracts, the change in LFIC as a result of changes in discount rates will be captured within profit or loss.

(vii) Insurance contracts - initial measurement:

The Company applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds.

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

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

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in profit or loss 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.

3. Material accounting policies (continued):

(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.

3. Material accounting policies (continued):

The Company assesses the liability for incurred claims by considering the fulfillment cash flows associated with such claims. These cash flows, which encompass all relevant and reasonable information available, are determined impartially and without excessive cost or effort, addressing aspects like the amount, timing, and uncertainty of future cash flows. They represent the Company's current estimates and include a specific adjustment for non-financial risk, known as the risk adjustment.

If, within the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognizes a loss in profit or loss 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 contracts depicting the losses recognized.

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

(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 contracts 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.

3. Material accounting policies (continued):

(xi) Insurance acquisition cash flows:

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognized as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognized under a standard other than IFRS 17. Such an asset is recognized for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognized, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Insurance acquisition cash flows originate from the expenses associated with selling, underwriting, and initiating a set of insurance contracts (whether issued or anticipated) directly related to the portfolio of contracts within the group. The Company defers insurance acquisition cash flows for all product lines over the coverage period of the related group. The Company employs a systematic and rational approach to allocate these insurance acquisition cash flows to each specific group of insurance contracts.

(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 substantial changes to the contract boundary or contract terms. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract.

The Company recognizes payments or receipts related to contract modifications as adjustments to the corresponding liability for remaining coverage.

3. Material accounting policies (continued):

(xiii) Presentation:

The Company presents separately in the consolidated 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 portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements and include any assets relating to insurance acquisition cash flows.

The Company does not disaggregate the change in risk adjustment for non-financial risk into financial and non-financial components, including the entire change as part of the insurance service results.

The Company presents income or expenses arising from reinsurance contracts held separately from those related to expenses or income from insurance contracts issued.

(xiv) Insurance revenue:

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. The Company allocates the expected premium receipts over the period of insurance contracts serviced based on the passage of time.

However, in cases where the expected pattern of release of risk during the coverage period differs significantly from that of the passage of time, then the allocation would be based on the expected timing of the incurred insurance service expenses. In case of changes in facts and circumstances, the Company will modify the allocation basis reflecting a change in accounting estimates and apply the change prospectively.

3. Material accounting policies (continued):

(xv) Loss component:

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. In instances where this presumption does not hold true, 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. This loss component is determined as the excess of the fulfilment cash flows associated with 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 nil.

(xvi) Loss-recovery component:

As described in note 3(vii) and (viii) above, where the Company recognizes a loss on initial recognition of an onerous group of insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component relating to the asset for remaining coverage depicting the expected recovery of losses from the group of reinsurance contracts held. 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 corresponding portion of the carrying amount related to any recognized loss component for the underlying onerous group of insurance contracts that the Company is expecting to recover through its 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 profit or loss each period. Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

3. Material accounting policies (continued):

(xviii) Net income or expense from reinsurance contracts held:

The Company separately presents on the face of the consolidated statement of 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 consolidated statement of comprehensive income.

(b) Structured settlements, Fire Mutual Guarantee Fund and financial guarantee contracts:

The Company enters into annuity agreements with various life insurance companies to provide 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 fulfil their obligations.

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

3. Material accounting policies (continued):

(c) IFRS 9, Financial Instruments ("IFRS 9"):

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired, or liability incurred. All transactions related to financial instruments are recorded based on their contractual terms and the business model for managing the instruments, as described below:

(i) Classification and initial measurement:

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:

- Financial assets at fair value through profit or loss ("FVPL"), including equity instruments

    - The financial instruments designated at FVPL have similar durations to the Company's insurance contract liabilities, and satisfy the criteria for designation as the designated classification reduces the accounting mismatch.

- Debt instruments measured at amortized cost

    Debt instruments are held at amortized cost if both of the following conditions are met:

    - The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows

- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding

3. Material accounting policies (continued):

The details of these conditions are outlined below.

(a) Business model assessment:

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize return for policyholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

- The expected frequency, value and timing of asset sales are also important aspects of the Company's assessment

3. Material accounting policies (continued):

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) The SPPI test:

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets measured at fair value through profit or loss:

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

3. Material accounting policies (continued):

Financial asset	Classification
Cash	Amortized cost
Investment income due and accrued	Amortized cost
Short-term investments	Amortized cost
Bonds - ladder	Amortized cost
Bonds - non-ladder	Designated FVPL
Bonds - universal	Mandatorily FVPL
Pooled funds:	
Equity pooled funds	Mandatorily FVPL
Mortgage pooled funds	Designated FVPL
Real estate trust	Mandatorily FVPL
Other invested assets	Amortized cost
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

(ii) Subsequent measurement:

- Debt instruments measured at amortized cost:

  After initial measurement, debt instruments are measured at amortized cost, using the effective interest rate ("EIR") method, less allowance for impairment. ECLs are recognized in the statement of profit or loss when the investments are impaired.

- Financial assets at fair value through profit or loss:

  Financial assets at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

(iii) Reclassification of financial assets and liabilities:

The Company does not reclassify its financial assets subsequent to their initial recognition.

3. Material accounting policies (continued):

(iv) Impairment of financial assets:

Under IFRS 9, the Company accounts for impairment losses for debt instruments valued at amortized cost using a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVPL. For debt instruments, the ECL is based on the portion of lifetime ECLs ("LTECL") that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

The Company recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company's debt instruments comprise solely of quoted bonds that are graded in the top investment category (AAA-BBB) by the S&P Global Ratings, and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. There were no such instances in 2024 or 2023.

3. Material accounting policies (continued):

- ECLs calculation:

  The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

  The mechanics of the ECL calculations are outlined below and the key elements are as follows:

  - PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

  - EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

  - LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

3. Material accounting policies (continued):

Impairment for debt instruments considered credit-impaired, the Company recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

(v) Other financial liabilities:

Other financial liabilities comprise of accounts payable and accrued liabilities and other short-term monetary liabilities. These liabilities are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument, and subsequently carried at amortized cost using the effective interest rate method; which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest while the liability is outstanding.

(d) Property, plant, and equipment:

Property, plant, and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, except for land, which is not depreciated. Depreciation is recognized in comprehensive income (loss) and is provided over the estimated useful life of the assets.

Buildings are recorded at cost, less salvage value, and are estimated on a straight-line basis, as follows:

Buildings:	
Roof	10 years
HVAC	20 years
Buildings	40 years
Furniture and fixtures	10 years
Building improvements - Lindsay	5 years
Computer equipment	5 years

3. Material accounting policies (continued):

Depreciation on the remaining asset categories is provided using the declining balance method at the following rates:

Parking	8%
Vehicles	30%

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

(e) Intangible assets:

Intangible assets consist of computer software development costs, 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 depreciation and accumulated impairment losses. Software is depreciated on a straight-line basis over its estimated useful life of seven years. The depreciation expense is included in other operating and administrative expenses in the consolidated statement of comprehensive income.

Intangible assets also include the purchase of customer lists from agents. These purchases typically have a useful life of five years and are amortized over that period.

(f) Impairment of non-financial assets:

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

For assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

3. Material accounting policies (continued):

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows.

Impairment charges are included in comprehensive income (loss).

(g) Income taxes:

The Company records income taxes on a tax liability basis. Income tax expense comprises current and deferred taxes. Current and deferred taxes are recognized in comprehensive income (loss), except to the extent that it relates to items recognized directly in members' surplus.

Under this method, 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 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, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This 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).

3. Material accounting policies (continued):

(h) Pension plan:

The Company participates in a multi-employer defined contribution ("DC") plan. The Company accounts for recognized contributions as an expense in the year to which they relate.

(i) Provisions:

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal, equitable or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(j) Leases:

Recognition and measurement:

At inception, or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

At the lease commencement date, the Company recognizes a lease liability and right-of-use asset for all lease obligations as a lessee; except for the following recognition exemptions that the Company has elected to use: lease contracts that at the commencement date have a lease term of 12 months or less and that do not contain a purchase option, and lease contracts for which the underlying asset is of low value (equal to or less than $7,000 per independent asset). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

3. Material accounting policies (continued):

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(k) Investments in equity-accounted investee:

The Company's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and in the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income (loss) of equity-accounted investees, until the date on which significant influence or joint control ceases.

4. Accounting estimates and judgments:

The preparation of consolidated financial statements requires management to make judgments, estimates, and assumptions, that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from estimates made.

(a) Judgments:

Judgments made in applying accounting policies that have an impact on the amounts recognized in the financial statements related to equity-accounted investees and whether the Company has de facto control over an associate, see note 6 and on the application and measurement of insurance and reinsurance contracts, see note 7.

(b) Estimates:

Estimates and underlying assumptions are reviewed on an ongoing basis and the effect of a change in an accounting estimate is recognized prospectively by including it in income in the period of the change, if the change affects that period only or, in the period of the change and future periods if the change affects both. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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.

4. Accounting estimates and judgments (continued):

(i) Insurance contracts:

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

Liability for remaining coverage:

- 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.

- Time value of money:

  The Company makes a nominal adjustment to 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.

Liability for incurred claims:

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

4. Accounting estimates and judgments (continued):

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 analysed by accident years, but can also be further analysed 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 judgment 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. As a result, the estimation of the liability for incurred claims has a high degree of estimation uncertainty.

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.

(In thousands of Canadian dollars, unless otherwise indicated)

4. Accounting estimates and judgments (continued):

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

Discount rates:

Insurance contract liabilities 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 (AAA) 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 year		5 year		10 year	
	2024	2023	2024	2023	2024	2023	2024	2023
Insurance contract liabilities	3.82%	5.39%	3.97%	4.86%	4.20%	4.75%	4.73%	4.79%

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in note 16.

(ii) 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. 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 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.

4. Accounting estimates and judgments (continued):

Through this evaluation of future cash flow distributions, the Company has determined that the required compensation is at the 70% (2023 - 70%) confidence level

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in note 16.

(iii) Fair value:

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. See note 5.

(c) Impairment losses on financial instruments:

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgment, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios, and the relevant inputs used.

5. Investments:

The following tables provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last quoted price;
- 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

(In thousands of Canadian dollars, unless otherwise indicated)

5. Investments (continued):

- 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).

2024	Level 1	Level 2	Level 3	Total
Treasury bills	$ –	$ 17,330	$ –	$ 17,330
Bonds	–	236,673	–	236,673
Pooled funds	–	115,534	65,192	180,726
Guarantee Fund	–	433	–	433
Loans receivable	–	–	10,532	10,532
Total	$ –	$ 369,970	$ 75,724	$ 445,694

2023	Level 1	Level 2	Level 3	Total
Treasury bills	$ –	$ 26,728	$ –	$ 26,728
Bonds	–	217,015	–	217,015
Pooled funds	–	99,347	62,687	162,034
Guarantee Fund	–	403	–	403
Loans receivable	–	–	11,249	11,249
Total	$ –	$ 343,493	$ 73,936	$ 417,429

* Included in Level 2 bonds are fixed income securities of $28,172 (2023 - $27,495) that are amortized cost, which have a fair value of $27,584 (2023 - $26,302).
** Included in Level 3 loans receivable are loans of $10,532 (2023 - $11,249) measured at amortized cost.

Transfers between levels are considered to have occurred at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1, Level 2 and Level 3 for the year ended December 31, 2024.

For the Level 3 investments in loans, fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supported by observable market prices or rates. In determining fair value, expected cash flows and market rates of interest were obtained and used. The Company receives personal or corporate guarantees for loans.

(In thousands of Canadian dollars, unless otherwise indicated)

5. Investments (continued):

For the Level 3 investments in pooled funds, fair value is determined by the fund manager with the use of independent property appraisals and reported by the custodian monthly. The pooled funds relate to investments in commercial mortgages and commercial, retail and industrial properties through limited partnership investments in a real estate trust. Our investment consultant monitors performance of the funds relative to stated objectives and a benchmark comprised of other Canadian institutional real estate portfolios.

Inherent in the real estate portfolio is risk related to interest rate exposure for the mortgage holdings, valuation risk to the properties, and risk of default due to the uncertainty of rent collectability. The Company has been monitoring directly, with the investment managers and our investment consultant, exposure and development to these factors on an ongoing basis. See note 16(b) for diversification limits in the investment portfolio.

During the years ended December 31, 2024, and December 31, 2023, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	2024	2023
Balance, beginning of year	$ 73,936	$ 73,011
Purchases	3,218	3,341
Principal repayments	(717)	(2,077)
Realized gain	–	–
Change in unrealized gain	(713)	(339)
Balance, end of year	$ 75,724	$ 73,936

Level 2 investments such as bonds, are traded on a market with quoted prices but infrequent recent transactions. Fair value is estimated using quoted market prices adjusted for observable market trends.

(In thousands of Canadian dollars, unless otherwise indicated)

5. Investments (continued):

Maturity profile of bonds held is as follows:

2024	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Carrying value
Debt instruments at FVPL	$ 3,517	$ 184,773	$ 20,211	$ –	$ 208,501
Debt instruments at amortized costs	3,176	9,767	15,229	–	28,172
Total	$ 6,693	$ 194,540	$ 35,440	$ –	$ 236,673
Percent of total	3%	82%	15%	–	100%

2023	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Carrying value
Debt instruments at FVPL	$ 1,003	$ 116,245	$ 53,529	$ 18,743	$ 189,520
Debt instruments at amortized costs	1,288	10,740	15,467	–	27,495
Total	$ 2,291	$ 126,985	$ 68,996	$ 18,743	$ 217,015
Percent of total	1%	58%	32%	9%	100%

The effective interest rate of the bonds portfolio held is 3.19% (2023 - 4.02%).

(In thousands of Canadian dollars, unless otherwise indicated)

5. Investments (continued):

The following additional disclosure presents the fair value and the amount of change in the fair value of the Company's financial assets as at and for the year ended December 31, 2024, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("non-SPPI"):

2024	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
Treasury bills	$ 17,330	$ 17,330	$ –	$ –	$ –
Bonds and debentures	236,673	236,085	8,356	–	–
Pooled funds	180,726	–	–	180,726	6,434
Other invested assets	10,965	10,532	(717)	433	30
Total	$ 445,694	$ 263,947	$ 7,639	$ 181,159	$ 6,464

2023	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
Treasury bills	$ 26,728	$ 26,728	$ –	$ –	$ –
Bonds and debentures	217,015	215,823	11,130	–	–
Pooled funds	162,034	–	–	162,034	7,726
Other invested assets	11,652	11,249	(2,076)	403	5
Total	$ 417,429	$ 253,800	$ 9,054	$ 162,437	$ 7,731

(In thousands of Canadian dollars, unless otherwise indicated)

5. Investments (continued):

Credit risk:

The table below presents the Company's maximum exposure to credit risk without considering any collateral held or other credit enhancements available to the Company to mitigate this risk. For on-balance sheet exposures, maximum exposure to credit risk is defined as the carrying amount of the asset.

	2024	2023
Short-term investments	$ 17,330	$ 26,728
Bonds	236,673	217,015
Pooled funds	180,726	162,034
Other invested assets	10,965	11,652
Investment income due and accrued	1,344	1,197
Reinsurance contract assets	23,175	41,507
	$ 470,213	$ 460,133

(In thousands of Canadian dollars, unless otherwise indicated)

5. Investments (continued):

The following sections provide a comparison between carrying value and fair value information of investment by type of security and issuer.

2024	Credit risk	Carrying value amount: Designated as FVPL	Carrying value amount: Mandatorily as FVPL	Carrying value amount: Amortized cost	Carrying value amount: Total	Fair value: Designated as FVPL	Fair value: Mandatorily as FVPL	Fair value: Amortized cost	Fair value: Total	% of fair value
Bonds and debentures and short-term investments:										
AAA	Low	$ 108,040	$ –	$ 5,964	$ 114,004	$ 108,040	$ –	$ 5,844	$ 113,884	48.2%
AA	Low	38,466	–	14,695	53,161	38,466	–	14,304	52,770	22.4%
A	Low	52,032	–	6,542	58,574	52,032	–	6,483	58,515	24.8%
BBB	Low	9,963	–	971	10,934	9,963	–	953	10,916	4.6%
Total bonds, debentures and short-term investments		$ 208,501	$ –	$ 28,172	$ 236,673	$ 208,501	$ –	$ 27,584	$ 236,085	100%
Bonds and debentures and short-term investments rated A or better		95%	–	97%	95%	95%	–	97%	95%	

2023	Credit risk	Carrying value amount: Designated as FVTPL	Carrying value amount: Mandatorily as FVPL	Carrying value amount: Amortized cost	Carrying value amount: Total	Fair value: Designated as FVPL	Fair value: Mandatorily as FVPL	Fair value: Amortized cost	Fair value: Total	% of fair value
Bonds and debentures and short-term investments:										
AAA	Low	$ 92,611	$ –	$ 4,953	$ 97,564	$ 92,611	$ –	$ 4,733	$ 97,344	45.1%
AA	Low	14,235	–	11,220	25,455	14,235	–	10,650	24,885	11.5%
A	Low	73,748	–	10,241	83,989	73,748	–	9,883	83,631	38.8%
BBB	Low	8,661	–	1,081	9,742	8,661	–	1,036	9,697	4.5%
BB	Medium	265	–	–	265	265	–	–	265	0.1%
Total bonds, debentures and short-term investments		$ 189,520	$ –	$ 27,495	$ 217,015	$ 189,520	$ –	$ 26,302	$ 215,822	100%
Bonds and debentures and short-term investments rated A or better		95%	–	96%	95%	95%	–	96%	95%	

(In thousands of Canadian dollars, unless otherwise indicated)

5. Investments (continued):

Impairment assessment:

Given the high quality of the investment portfolio, the Company's debt instruments measured at amortized costs remained in stage 1 of the ECL model with a nominal allowance for ECL as at December 31, 2024 and 2023, which were not adjusted for in the Company's retained earnings.

6. Equity-accounted investees:

	2024	2023
Interest in joint venture	$ 362	$ 306
Interest in associates	2,625	2,620
Total	$ 2,987	$ 2,926

(a) Joint venture:

First Acre Insurance Inc. ("First Acre") is a joint venture in which the Company has joint control and a 50% ownership interest. First Acre is a Managing General Agency to support the generation and development of agricultural business related to the insurance business of the Company. First Acre is a federally incorporated business located in the Province of Ontario. First Acre is not publicly listed.

The Company has accounted for its interest in First Acre as a joint venture.

In accordance with the agreement under which First Acre is established, the Company and the other investor in the joint venture have agreed to make additional contributions of capital in proportion to their interests, if required, up to a maximum combined amount of $7.8 million. This commitment has not been recognized in these consolidated financial statements.

In the fourth quarter of 2022, First Acre acquired Douglas Cost Guide, a property valuation company focused on the agricultural property and equipment industry. There was no material impact to the balance sheet or comprehensive income of First Acre as a result of the transaction.

During the year, additional contributions of $1,400 (2023 - $1,100) were made to the joint venture.

6. Equity-accounted investees (continued):

(b) Associate:

Holdco acquired 20% ownership interest in Stan Darling Insurance ("Stan Darling") on September 1, 2022. Stan Darling is an insurance brokerage specializing in property and casualty insurance. Stan Darling is a federally incorporated business located in the Province of Ontario and is not publicly listed.

The Company has accounted for its interest in Stan Darling as an investment in associate because it has significant influence but does not have de facto control.

7. Insurance and reinsurance contracts:

(a) Assumptions:

The main assumption underlying estimates for insurance contracts is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident years, by geographical area, as well as by significant business line and claim type. Catastrophic events are separately addressed, either by being reserved at the face value of loss adjuster estimates, in the case of very large losses, or separately projected to reflect their future development which might differ from historical data in the case of catastrophic events. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, considering the uncertainties involved ("best estimate"). Actuaries are required to include margins in some assumptions to recognize the uncertainty in establishing this best estimate, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are sufficient to pay future benefits. The principal assumption underlying the claims liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience.

7. Insurance and reinsurance contracts (continued):

The ultimate cost of long settlement general liability claims is difficult to predict for several reasons. Claims may not be reported until many years after a policy expires. Changes in the legal environment have created further complications. Court decisions and federal and provincial legislation may dramatically increase the liability between the time a policy is written and associated claims are ultimately resolved. For example, liability for exposure to toxic substances and environmental impairment, which did not appear likely or even exist when the policies were written, has been imposed by legislators and judicial interpretation. Tort liability has been expanded by some jurisdictions to cover defective workmanship. Provisions for such difficult-to-estimate liabilities are established by examining the facts of tendered claims and are adjusted in the aggregate for ultimate loss expectations based upon historical experience patterns and current socioeconomic trends. The Company is required to participate in industry automobile residual pools of business and recognizes a share of this business based on its automobile market share. The Company records its share of the liabilities provided by the actuaries of the pools.

(In thousands of Canadian dollars, unless otherwise indicated)

7. Insurance and reinsurance contracts (continued):

(i) Roll forward of net asset or 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.

2024	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for incurred claims ("LIC"): Estimates of PVFCF*	Liabilities for incurred claims ("LIC"): Risk adjustments	Total
Insurance contracts liabilities, beginning of year	$ 30,339	$ 3,156	$ 229,184	$ 8,691	$ 271,370
Insurance contract assets, beginning of year	–	–	–	–	–
Net balance liability, beginning of year	30,339	3,156	229,184	8,691	271,370
Insurance revenue	(304,873)	–	–	–	(304,873)
Insurance service expenses:					
Incurred claims and other directly attributable expense	–	–	223,441	4,311	227,752
Insurance acquisition cash flows amortization	56,812	–	–	–	56,812
Losses on onerous contracts and reversals of those losses	–	533	–	–	533
Changes that relate to past service - adjustments to the LIC	–	–	4,596	(3,367)	1,229
Insurance service result	(248,061)	533	228,037	944	(18,547)
Insurance finance expenses	–	–	12,359	–	12,359
Total changes in the consolidated statement of comprehensive income	(248,061)	533	240,396	944	(6,188)
Cash flows:					
Premiums received	317,086	–	–	–	317,086
Claims and other directly attributable expenses paid	–	–	(217,825)	–	(217,825)
Insurance acquisition cash flows	(60,108)	–	–	–	(60,108)
Total cash flows	256,978	–	(217,825)	–	39,153
Net balance liability, end of year	$ 39,256	$ 3,689	$ 251,755	$ 9,635	$ 304,335
Insurance contract liabilities, end of year	$ 39,256	$ 3,689	$ 251,755	$ 9,635	$ 304,335
Insurance contract assets, end of year	–	–	–	–	–
Net balance liability, end of year	$ 39,256	$ 3,689	$ 251,755	$ 9,635	$ 304,335

* PVFCF refers to present value of future cash flows

(In thousands of Canadian dollars, unless otherwise indicated)

7. Insurance and reinsurance contracts (continued):

2023	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for incurred claims: Estimates of PVFCF*	Liabilities for incurred claims: Risk adjustments	Total
Insurance contracts liabilities, beginning of year	$ 26,322	$ 1,970	$ 213,328	$ 13,902	$ 255,522
Insurance contract assets, beginning of year	–	–	–	–	–
Net balance liability, beginning of year	26,322	1,970	213,328	13,902	255,522
Insurance revenue	(255,054)	–	–	–	(255,054)
Insurance service expenses:					
Incurred claims and other directly attributable expense	–	–	224,575	4,069	228,644
Insurance acquisition cash flows amortization	49,775	–	–	–	49,775
Losses on onerous contracts and reversals of those losses	–	1,186	–	–	1,186
Changes that relate to past service - adjustments to the LIC	–	–	(11,247)	(9,280)	(20,527)
Insurance service result	(205,279)	1,186	213,328	(5,211)	4,024
Insurance finance expenses	–	–	9,120	–	9,120
Total changes in the consolidated statement of comprehensive income	(205,279)	1,186	222,448	(5,211)	13,144
Cash flows:					
Premiums received	261,887	–	–	–	261,887
Claims and other directly attributable expenses paid	–	–	(206,592)	–	(206,592)
Insurance acquisition cash flows	(52,591)	–	–	–	(52,591)
Total cash flows	209,296	–	(206,592)	–	2,704
Net balance liability, end of year	$ 30,339	$ 3,156	$ 229,184	$ 8,691	$ 271,370
Insurance contract liabilities, end of year	$ 30,339	$ 3,156	$ 229,184	$ 8,691	$ 271,370
Insurance contract assets, end of year	–	–	–	–	–
Net balance liability, end of year	$ 30,339	$ 3,156	$ 229,184	$ 8,691	$ 271,370

* PVFCF refers to present value of future cash flows

(In thousands of Canadian dollars, unless otherwise indicated)

7. Insurance and reinsurance contracts (continued):

(ii) Reinsurance contracts:

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

	Assets for remaining coverage		Assets recoverable on incurred claims		
2024	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	$ (704)	$ –	$ 11	$ –	$ (693)
Reinsurance contract assets, beginning of year	(1,281)	572	40,903	1,313	41,507
Net balance asset (liability), beginning of year	(1,985)	572	40,914	1,313	40,814
An allocation of reinsurance premiums	(23,771)	–	–	–	(23,771)
Amounts recoverable for claims and other expense	–	–	7,575	249	7,824
Loss-recovery on onerous underlying contracts and adjustments	–	(494)	–	–	(494)
Changes to amounts recoverable for incurred claim	–	–	9,079	(601)	8,478
Net income (expenses) from reinsurance contracts held	(23,771)	(494)	16,654	(352)	(7,963)
Reinsurance finance income	–	–	1,676	–	1,676
Total changes in the consolidated statement of comprehensive income	(23,771)	(494)	18,330	(352)	(6,287)
Cash flows:					
Premiums paid net of ceding commissions and other directly attributable expenses paid	21,900	–	–	–	21,900
Amounts received	–	–	(34,041)	–	(34,041)
Total cash flows	21,900	–	(34,041)	–	(12,141)
Net balance asset (liability), end of year	$ (3,856)	$ 78	$ 25,203	$ 961	$ 22,386
Reinsurance contract liabilities, end of year	$ (1,019)	$ 1	$ 218	$ 11	$ (789)
Reinsurance contract assets, end of year	(2,837)	77	24,985	950	23,175
Net balance assets (liability), end of year	$ (3,856)	$ 78	$ 25,203	$ 961	$ 22,386

* PVFCF refers to present value of future cash flows

(In thousands of Canadian dollars, unless otherwise indicated)

7. Insurance and reinsurance contracts (continued):

2023	Assets for remaining coverage: Excluding loss recovery component	Assets for remaining coverage: Loss recovery component	Assets recoverable on incurred claims: Estimates of PVFCF*	Assets recoverable on incurred claims: Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	$ (478)	$ –	$ –	$ –	$ (478)
Reinsurance contract assets, beginning of year	1	664	52,066	3,177	55,908
Net balance asset (liability), beginning of year	(477)	664	52,066	3,177	55,430
An allocation of reinsurance premiums	(15,793)	–	–	–	(15,793)
Amounts recoverable for claims and other expense	–	–	27,968	662	28,630
Loss-recovery on onerous underlying contracts and adjustments	–	(92)	–	–	(92)
Changes to amounts recoverable for incurred claim	–	–	(7,880)	(2,526)	(10,406)
Net income (expenses) from reinsurance contracts held	(15,793)	(92)	20,088	(1,864)	2,339
Reinsurance finance income	–	–	1,822	–	1,822
Total changes in the consolidated statement of comprehensive income	(15,793)	(92)	21,910	(1,864)	4,161
Cash flows:					
Premiums paid net of ceding commissions and other directly attributable expenses paid	14,285	–	–	–	14,285
Amounts received	–	–	(33,062)	–	(33,062)
Total cash flows	14,285	–	(33,062)	–	(18,777)
Net balance asset (liability), end of year	$ (1,985)	$ 572	$ 40,914	$ 1,313	$ 40,814
Reinsurance contract liabilities, end of year	$ (704)	$ –	$ 11	$ –	$ (693)
Reinsurance contract assets, end of year	(1,281)	572	40,903	1,313	41,507
Net balance assets (liability), end of year	$ (1,985)	$ 572	$ 40,914	$ 1,313	$ 40,814

* PVFCF refers to present value of future cash flows

(In thousands of Canadian dollars, unless otherwise indicated)

7. Insurance and reinsurance contracts (continued):

The following table sets out the carrying amounts of assets for insurance acquisition cash flows.

	Assets for insurance acquisition cash flows
Balance, January 1, 2023	$ 24,039
Amounts incurred during the year	53,270
Amounts derecognized and included in the measurement of insurance contract	(49,775)
Balance, December 31, 2023	27,534
Amounts incurred during the year	60,129
Amounts derecognized and included in the measurement of insurance contract	(56,812)
Balance, December 31, 2024	$ 30,851

(In thousands of Canadian dollars, unless otherwise indicated)

8. Property, plant and equipment and intangible assets:

	Property, plant and equipment					Intangible assets		
	Land	Buildings and parking lot	Computer equipment	Furniture and fixtures	Right-of-use assets	Customer list	Internally developed software	Total
Cost								
Balance, December 31, 2023	$ 462	$ 12,140	$ 696	$ 347	$ 260	$ 1,285	$ 36,070	$ 51,260
Additions	–	–	59	–	–	–	–	59
Balance, December 31, 2024	$ 462	$ 12,140	$ 755	$ 347	$ 260	$ 1,285	$ 36,070	$ 51,319
Accumulated depreciation								
Balance, December 31, 2023	$ –	$ 5,581	$ 253	$ 291	$ 260	$ 1,072	$ 22,327	$ 29,784
Depreciation	–	309	232	14	–	107	5,152	5,814
Balance, December 31, 2024	$ –	$ 5,890	$ 485	$ 305	$ 260	$ 1,179	$ 27,479	$ 35,598
Net book value								
December 31, 2023	$ 462	$ 6,559	$ 443	$ 56	$ –	$ 213	$ 13,743	$ 21,476
December 31, 2024	462	6,250	270	42	–	106	8,591	15,721

Intangible assets are tested for impairment on an annual basis.

(In thousands of Canadian dollars, unless otherwise indicated)

9. Pension plans:

The Company makes contributions to the Ontario Mutual Insurance Association Pension Plan (the "Plan"), which is a multi employer defined contribution plan. The expense relating to the Plan for 2024 was $1,239 (2023 - $1,122).

10. Income tax expense:

The significant components of income tax expense included in comprehensive income (loss) are composed of:

	2024	2023
Current tax expense:		
Based on current year taxable income	$ 2,128	$ 81
Prior year true up	257	263
Total current tax expense	2,385	344
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	(2,375)	(1,833)
Prior year true up	146	(33)
Total deferred tax recovery	(2,229)	(1,866)
Total income tax expense (recovery)	$ 156	$ (1,522)

(In thousands of Canadian dollars, unless otherwise indicated)

10. Income tax expense (continued):

Reasons for the difference between income tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2023 - 26.5%) are as follows:

		2024		2023
Income (loss) before income taxes	$	139	$	(4,572)
Expected taxes based on the statutory rate	$	37	$	(1,212)
Increase (decrease) in income taxes due to:				
Canadian dividend income not subject to tax		(616)		(697)
Other non-deductible expenses		330		165
Other		405		222
Total income tax expense (recovery)	$	156	$	(1,522)

The movement in 2024 deferred tax liabilities and assets are:

		Opening balance, January 1, 2024		Recognized in comprehensive income (loss)		Closing balance December 31, 2024
Deferred tax liabilities:						
Property, plant and equipment, including intangible assets	$	2,234	$	(986)	$	1,248
Real estate trust investment		1,627		(241)		1,386
Deferred tax liabilities	$	3,861	$	(1,227)	$	2,634
Deferred tax assets:						
Insurance and reinsurance contracts	$	(3)	$	1,199	$	1,196
Other		17		–		17
Donation		–		–		–
Corporate minimum tax credit		196		(196)		–
Deferred tax assets	$	210	$	1,003	$	1,213
Net deferred tax assets (liabilities)	$	(3,651)	$	2,230	$	(1,421)

(In thousands of Canadian dollars, unless otherwise indicated)

10. Income tax expense (continued):

The movement in 2023 deferred tax liabilities and assets are:

	Opening balance, January 1, 2023	Recognized in comprehensive income (loss)	Closing balance December 31, 2023
Deferred tax liabilities:			
Property, plant and equipment, including intangible asset	$ 2,942	$ (708)	$ 2,234
Real estate trust investment	1,743	(116)	1,627
Deferred tax liabilities	$ 4,685	$ (824)	$ 3,861
Deferred tax assets:			
Claims reserve	$ (969)	$ 966	$ (3)
Other	17	–	17
Donation	120	(120)	–
Corporate minimum tax credit	–	196	196
Deferred tax assets	$ (832)	$ 1,042	$ 210
Net deferred tax assets (liabilities)	$ (5,517)	$ 1,866	$ (3,651)

(In thousands of Canadian dollars, unless otherwise indicated)

11. Insurance service and other expense:

The breakdown of insurance service and other expenses is presented below:

	2024	2023
Claims and benefits	$ 203,258	$ 185,453
Salaries and employee benefits	25,376	23,500
Professional fees (other than legal)	5,489	4,974
Legal fees	70	47
Commissions	56,285	46,826
Losses on onerous insurance contracts	533	1,186
Depreciation and amortization	5,814	5,928
Occupancy expenses (including rent, leasing and maintenance)	1,541	1,456
Information technology	11,967	9,938
Philanthropy Fund	(700)	(750)
Equity-accounted investee	(1,093)	(653)
Other	10,435	8,797
	318,975	286,702
Amounts attributed to insurance acquisition cash flows	(60,129)	(53,270)
Amortization of insurance acquisition cash flows	56,812	49,775
	$ 315,658	$ 283,207
Represented by:		
Insurance service expenses	$ 286,326	$ 259,078
General and operating expenses	29,332	24,129
Total	$ 315,658	$ 283,207

12. Investment income:

	2024	2023
Interest income	$ 10,177	$ 9,749
Dividend and distribution income	3,234	3,212
Realized gain (loss) on disposal of investments at FVPL	1,744	(2,773)
Change in net unrealized gain on investments at FVPL	14,415	18,352
	$ 29,570	$ 28,540

(In thousands of Canadian dollars, unless otherwise indicated)

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:

	2024	2023
Compensation:		
Salaries, employee benefits and directors' fees	$ 3,704	$ 3,832
Total pension and other post-employment benefits	97	92
	$ 3,801	$ 3,924
Premiums	$ 40	$ 58
Claims paid	$ 10	$ 86

14. Accounts payable and accrued liabilities:

	2024	2023
Expenses due and accrued	$ 1,666	$ 2,030
Other taxes due and accrued	823	3,671
Employment benefits	2,918	2,776
	$ 5,407	$ 8,477

The carrying value of these liabilities approximate their fair value. Accounts payable and accrued liabilities of $5,407 (2023 - $8,477) will be realized within 12 months from the reporting date.

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 require property and casualty companies to comply with capital adequacy requirements. This test compares the 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 that are dependent on the risks associated with the Company's assets. Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest sensitive assets and liabilities to changes in interest rates. During the year and for the years ending December 31, 2024, and 2023, the Company has consistently exceeded the minimum regulatory requirement for MCT under the MCT capital adequacy requirements. 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 is deemed necessary.

For the purpose of capital management, the Company has defined capital as members' surplus.

16. Financial instrument and insurance risk management:

(a) Insurance risk management:

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 contract.

16. Financial instrument and insurance risk management (continued):

Amounts recoverable from the Company's 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 the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company writes insurance primarily over a 12-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 regarding trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Auto premiums are subject to approval by FSRA and, therefore, may result in a delay in adjusting the pricing to exposed risk. In this case the Company has policies regarding renewal and new business accepted. Reinsurance is purchased to mitigate the effect of the potential loss to the Company. Reinsurance is placed with Farm Mutual Re. ("FMR"), a registered Canadian reinsurer. FMR has an AM best rating of B++ (Good) and total reinsurance contract asset held with FMR was $23,175 (2023 - $41,507).

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 $1,500 (2023 - $1,500) in the event of a property claim, an amount of $1,500 (2023 - $1,500) in the event of an automobile claim and $1,500 (2023 - $1,500) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $10,000 (2023 - $5,000) 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 80% of gross net earned premiums for all lines of business, plus an additional 10% of such ultimate aggregate net losses. The additional 10% retention is capped once the incurred losses reach 200% of the Gross Net Earned Premium Income (GNEPI) for the year.

16. Financial instrument and insurance risk management (continued):

At December 31, 2024, the maximum exposure to credit risk from insurance contracts is $109,345 (2023 - $92,380), which primarily relates to premiums receivables for services that the Company has already provided, and the maximum exposure to credit risk from reinsurance contracts is $2,227 (2023 - $4,443).

The risks written by the Company are concentrated within Ontario.

The Company is exposed to a pricing risk to the extent that insurance contract liabilities are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses, and expected profit in relation to unearned premiums.

The risks associated with insurance contracts are complex and subject to several variables which complicate quantitative sensitivity analysis. The Company's various techniques are based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims occurrence, expected loss ratios and claims development as described below.

(i) Sensitivities:

The liability for incurred claims is sensitive to the key assumptions in the table below.

The risks associated with insurance contracts are complex and subject to several variables which complicate quantitative sensitivity analysis. The Company's various techniques are based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims occurrence, expected loss ratios and claims development as described in note 16(a).

(In thousands of Canadian dollars, unless otherwise indicated)

16. Financial instrument and insurance risk management (continued):

Results of sensitivity testing based on expected loss ratios are as follows, shown gross and net of reinsurance as impacted on pre-tax income:

	Property claims		Auto claims	
	2024	2023	2024	2023
5% increase in loss ratios:				
Gross	$ (4,203)	$ (3,755)	$ (7,196)	$ (5,502)
Net	(3,747)	(3,468)	(6,957)	(5,348)
5% decrease in loss ratios:				
Gross	$ 4,203	$ 3,755	$ 7,196	$ 5,502
Net	3,747	3,468	6,957	5,348

	Farm claims		Commercial claims	
	2024	2023	2024	2023
5% increase in loss ratios:				
Gross	$ (2,038)	$ (1,878)	$ (1,636)	$ (1,456)
Net	(1,777)	(1,699)	(1,358)	(1,246)
5% decrease in loss ratios:				
Gross	$ 2,038	$ 1,878	$ 1,636	$ 1,456
Net	1,777	1,699	1,358	1,246

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

16. Financial instrument and insurance risk management (continued):

(ii) Claims development:

The estimation of claim development involves assessing the future behavior of claims, taking into consideration the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement-term claims are those which are expected to be substantially paid within a year of being reported. The tables that follow present the development of claims payments and the estimated ultimate cost of claims for the claim years 2015 to 2024. The upper half of the tables shows the cumulative amounts paid or estimated to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported 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.

(In thousands of Canadian dollars, unless otherwise indicated)

16. Financial instrument and insurance risk management (continued):

Gross claims	2015 & prior years	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
End of insured event year	541,565	76,962	105,018	100,704	110,943	91,479	113,415	218,903	205,218	203,244	1,767,451
One year later	539,130	73,285	97,958	103,365	109,361	98,739	111,195	220,155	209,389	–	1,562,577
Two years later	542,207	69,202	97,161	102,802	111,486	96,200	107,515	225,067	–	–	1,351,640
Three years later	545,269	68,200	97,134	101,558	107,847	92,949	105,754	–	–	–	1,118,711
Four years later	540,092	65,614	93,414	99,932	106,509	91,106	–	–	–	–	996,667
Five years later	540,333	64,288	91,425	98,891	103,488	–	–	–	–	–	898,425
Six years later	535,051	63,563	91,507	98,385	–	–	–	–	–	–	788,506
Seven years later	529,855	63,654	93,144	–	–	–	–	–	–	–	686,653
Eight years later	526,915	63,930	–	–	–	–	–	–	–	–	590,845
Nine years later	527,910	–	–	–	–	–	–	–	–	–	527,910
Gross estimates of cumulative undiscounted claims cost	528,180	63,930	93,144	98,385	103,488	91,106	105,754	225,067	209,389	203,244	1,721,687
End of insured event year	264,039	34,375	53,111	49,149	59,148	43,383	49,337	106,893	93,878	86,928	840,241
One year later	379,824	49,682	72,548	75,216	80,850	64,113	78,267	167,195	155,781	–	1,123,476
Two years later	414,925	52,246	76,271	81,780	86,228	72,608	85,178	188,401	–	–	1,057,637
Three years later	447,230	54,753	79,296	85,439	90,772	78,645	87,705	–	–	–	923,840
Four years later	477,013	58,096	83,362	88,794	94,032	82,644	–	–	–	–	883,941
Five years later	496,953	59,559	85,916	91,626	96,451	–	–	–	–	–	830,505
Six years later	510,519	60,702	88,065	94,893	–	–	–	–	–	–	754,179
Seven years later	514,195	61,606	90,068	–	–	–	–	–	–	–	665,869
Eight years later	518,008	62,519	–	–	–	–	–	–	–	–	580,527
Nine years later	522,180	–	–	–	–	–	–	–	–	–	522,180
Cumulative payments to date	523,357	62,519	90,068	94,893	96,451	82,644	87,705	188,401	155,781	86,928	1,468,747
Gross undiscounted liabilities for incurred claims	4,823	1,411	3,076	3,492	7,037	8,462	18,049	36,666	53,608	116,316	252,940
Effect of discounting and risk adjustment											(9,031)
Other attributable expenses											17,481
Total liabilities for incurred claims											261,390

(In thousands of Canadian dollars, unless otherwise indicated)

16. Financial instrument and insurance risk management (continued):

Net of reinsurance	2015 & prior years	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
End of insured event year	445,540	67,508	86,548	86,375	101,664	85,993	108,525	141,728	176,465	194,853	1,495,199
One year later	443,805	65,562	83,248	89,475	101,507	92,402	106,837	146,566	173,964	–	1,303,366
Two years later	441,130	62,407	82,969	91,406	105,433	91,539	104,239	148,201	–	–	1,127,324
Three years later	469,024	62,101	83,929	90,941	102,379	89,648	102,783	–	–	–	1,000,805
Four years later	464,686	60,346	81,963	89,927	101,741	88,598	–	–	–	–	887,261
Five years later	465,593	59,404	80,135	89,531	99,407	–	–	–	–	–	794,070
Six years later	461,574	58,449	79,974	89,062	–	–	–	–	–	–	689,059
Seven years later	459,496	58,678	80,447	–	–	–	–	–	–	–	598,621
Eight years later	457,813	59,002	–	–	–	–	–	–	–	–	516,815
Nine years later	458,271	–	–	–	–	–	–	–	–	–	458,271
Net estimates of cumulative undiscounted claims costs	458,317	59,002	80,447	89,062	99,407	88,598	102,783	148,201	173,964	194,853	1,494,634
End of insured event year	252,545	33,825	44,275	44,804	57,993	43,160	49,321	64,754	84,674	85,051	760,402
One year later	360,025	47,134	62,832	67,531	78,214	63,310	77,352	102,308	126,809	–	985,515
Two years later	388,276	49,166	66,197	73,093	82,988	71,250	83,408	115,507	–	–	929,885
Three years later	410,348	51,516	69,006	76,502	87,267	76,441	85,923	–	–	–	857,003
Four years later	429,796	54,184	73,029	79,789	90,464	80,440	–	–	–	–	807,702
Five years later	441,343	55,521	75,573	82,614	92,863	–	–	–	–	–	747,914
Six years later	448,766	56,204	76,810	85,828	–	–	–	–	–	–	667,608
Seven years later	451,847	57,101	78,433	–	–	–	–	–	–	–	587,381
Eight years later	453,338	57,994	–	–	–	–	–	–	–	–	511,332
Nine years later	456,176	–	–	–	–	–	–	–	–	–	456,176
Cumulative payments to date	457,476	57,994	78,433	85,828	92,863	80,440	85,923	115,507	126,809	85,051	1,266,324
Net undiscounted liabilities for incurred claims	841	1,008	2,014	3,234	6,544	8,158	16,860	32,694	47,155	109,802	228,310
Effect of discounting and risk adjustment											(8,329)
Other attributable expenses											15,245
Total net liabilities for incurred claims											235,226

16. Financial instrument and insurance risk management (continued):

(b) Financial risk management:

(i) 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 its reinsurer to make payments 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, corporate sector limits and general guidelines for geographic exposure. The bond portfolio includes 95% (2023 - 95%) of bonds and debentures and short-term investments rated A or better. The Company's investment policy limits investment in bonds and debentures to 65% (2023 - 65%) of the Company's portfolio. Funds are primarily invested in bonds and debentures of Federal, Provincial or Municipal Government and Corporations rated A or better.

Reinsurance is placed with FMR. Management monitors the creditworthiness of FMR by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to the renewal of the reinsurance contracts.

In the course of operations, the Company enters into structured settlement contracts to discharge its claims liabilities. In the event that the life insurance provider fails to meet its obligations, the Company will be liable for all outstanding amounts owing to the claimant. As of December 31, 2024, the Company's exposure was $2,150 (2023 - $2,240).

The maximum exposure to investment credit risk is outlined in note 16(a).

(ii) 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.

16. Financial instrument and insurance risk management (continued):

The Company's investment policy specifies an investment mandate within the guidelines of the Insurance Act (Ontario). 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 Canadian equities and pooled fund holdings of foreign stock to a maximum of 25% of the total investments. In addition, the Company has added an investment allocation for real estate holdings to comprise 0% - 10% of total investments (see note 5).

(a) Currency risk:

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.

At year end, there were no direct holdings of foreign currencies or investments denominated in a foreign currency (2023 - nil). The Company's principal transactions are carried out in Canadian dollars and its exposure to foreign exchange risk arises primarily with respect to the risk related to pooled fund stock holdings which are invested in foreign equities. The Company limits its foreign exchange exposure to 20% of total market value of its investment portfolio in accordance with its investment policy. The indirect exposure to foreign currency through the investments in pooled fund stock holdings at year end is $71,369 (2023 - $59,193).

(b) 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 (treasury bills, bonds, pooled funds (specifically mortgage investments), and broker loans).

(In thousands of Canadian dollars, unless otherwise indicated)

16. Financial instrument and insurance risk management (continued):

Historical data and current information are used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop the investment policy and strategy. 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.

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.

		2024		2023	
	Change in interest rate	Effect on net profit	Effect on equity	Effect on net profit	Effect on equity
Insurance and reinsurance contracts	+100 bps	$ 4,853	$ 3,567	$ 4,139	$ 3,042
Debt instruments	+100 bps	6,861	5,043	10,519	7,731
Insurance and reinsurance contracts	-100 bps	(5,550)	(4,079)	(3,714)	(2,730)
Debt instruments	-100 bps	(6,861)	(5,043)	(10,519)	(7,731)

16. Financial instrument and insurance risk management (continued):

(c) Equity risk:

Equity 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, typically held within pooled funds, within its investment portfolio.
The Company's portfolio includes Canadian equities and pooled fund holdings of foreign equities. As at December 31, 2024, 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, including pooled funds, of $11,553 (2023 - $9,935).

The Company's investment policy limits investment in preferred and common shares to a maximum of 25% of the market value of the portfolio.

(iii) 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 policyholder. Claim payments are funded by the current operating cash flow, including investment income. See note 5 for maturity dates of the Company's bond portfolio.

(In thousands of Canadian dollars, unless otherwise indicated)

16. Financial instrument and insurance risk management (continued):

The maturity profile of the company's financial assets and financial liabilities are summarised in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analysed by their expected payment dates.

2024	< 1 year	1 to 5 years	Over 5 years	Total
Financial assets:				
Cash	$ 61,947	$ –	$ –	$ 61,947
Equity* and debt instruments at FVPL	184,244	184,773	20,211	389,228
Debt instruments at amortized cost	3,176	9,767	15,229	28,172
Loans receivable	676	3,512	6,344	10,532
Insurance assets:				
Incurred claims - AFIC undiscounted without RA	12,174	11,008	1,446	24,628
Total assets	262,217	209,060	43,230	514,507
Financial liabilities:				
Accounts payables and accrued liabilities	5,407	–	–	5,407
Insurance liabilities:				
LFRC	42,945	–	–	42,945
Incurred claims - LFIC undiscounted without RA	114,318	134,152	19,571	268,041
Total liabilities	162,670	134,152	19,571	316,393
Net liquidity gap	$ 99,547	$ 74,908	$ 23,659	$ 198,114
Cumulative liquidity gap	$ 99,547	$ 174,455	$ 198,114	$ 198,114

*Equity financial instruments have been included in the 1 year or less category, as these can be sold immediately if desired.

(In thousands of Canadian dollars, unless otherwise indicated)

16. Financial instrument and insurance risk management (continued):

2023	< 1 year	1 to 5 years	Over 5 years	Total
Financial assets:				
Cash	$ 31,371	$ –	$ –	$ 31,371
Equity* and debt instruments at FVPL	163,037	116,245	72,272	351,554
Debt instruments at amortized cost	1,288	10,740	15,467	27,495
Loans receivable	570	2,708	7,971	11,249
Insurance assets:				
Incurred claims - AFIC undiscounted without RA	26,609	10,966	709	38,284
Total assets	222,875	140,659	96,419	459,953
Financial liabilities:				
Accounts payables and accrued liabilities	8,477	–	–	8,477
Insurance liabilities:				
LFRC	33,495	–	–	33,495
Incurred claims - LFIC undiscounted without RA	120,116	112,046	14,447	246,609
Total liabilities	162,088	112,046	14,447	288,581
Net liquidity gap	$ 60,787	$ 28,613	$ 81,972	$ 171,372
Cumulative liquidity gap	$ 60,787	$ 103,095	$ 171,372	$ 171,372

*Equity financial instruments have been included in the 1 year or less category, as these can be sold immediately if desired.

17. Philanthropy Fund:

The Company established a Philanthropy Fund reserve with an approved funding formula. The internally restricted fund will be used to support not for profit organizations and events that provide growth opportunities for children, advance health care efforts for citizens, and promote safety in everyday living within the communities where policyholders, staff and brokers reside. The Company makes disbursements throughout the calendar year based on applications from qualifying groups, organizations or via discretionary philanthropic decisions made by management. Assuming the funding formula provisions are met, funds are then replenished annually based on a percentage of net income before tax.

(In thousands of Canadian dollars, unless otherwise indicated)

18. Commitments and contingencies:

Due to the nature of the insurance industry, the Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business, which is considered in establishing its provision for unpaid claims and adjustment expenses. In addition, the Company is involved in and potentially subject to regular audits from federal and provincial tax authorities, and, as a result of these audits may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to the consolidated financial statements, but may have an uncertain impact in future periods.

Due to the nature of the insurance industry, the Company is subject to litigation arising in the normal course of conducting its insurance business, which is considered in establishing its provision for unpaid claims and adjustment expenses.

The Company is also subject to insurance solvency regulations in the province where it operates and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

The Company has future minimum commitments for service agreements pertaining to licensing, hosting, and printing services related to its policy administration system.

	2024	2023
Within 1 year	$ 1,628	$ 4,093
After 1 year but not more than 5 years	571	1,200
	$ 2,199	$ 5,293

19. Comparative information:

Certain comparative information has been reclassified to conform to the consolidated financial statement presentation adopted in the current year.