

Consolidated Financial Statements
(In Canadian dollars)

THE COMMONWELL MUTUAL INSURANCE GROUP

And Independent Auditor's Report thereon

Year ended December 31, 2025



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 (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in members' surplus 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 policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

February 26, 2026

THE COMMONWELL MUTUAL INSURANCE GROUP

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

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Cash	\$ 19,203	\$ 61,947
Investment income due and accrued (Note 16)	2,086	1,344
Investments (Note 5)	546,298	445,694
Equity-accounted investees (Note 6)	4,146	2,987
Reinsurance contract assets (Notes 7 and 16)	20,195	23,175
Property, plant, and equipment (Note 8)	6,705	7,024
Intangible assets (Note 8)	3,439	8,697
Prepaid expenses and other assets	2,242	1,585
Deferred tax assets (Note 10)	418	–
Total assets	\$ 604,732	\$ 552,453

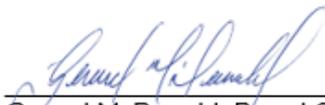
Liabilities and Members' Surplus

Accounts payable and accrued liabilities (Note 14)	\$ 7,159	\$ 5,407
Insurance contract liabilities (Note 7)	334,495	304,335
Reinsurance contract liabilities (Note 7)	352	789
Income taxes payable	4,610	1,930
Deferred tax liabilities (Note 10)	–	1,421
Total liabilities	346,616	313,882
Members' surplus:		
Retained earnings	256,263	236,824
Philanthropy Fund (Note 17)	1,853	1,747
Total members' surplus	258,116	238,571
Total liabilities and members' surplus	\$ 604,732	\$ 552,453

Commitments and contingencies (Note 18)

See accompanying notes to consolidated financial statements.

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


Gerard McDonald, Board Chair


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, 2025, with comparative information for 2024

	2025	2024
Insurance revenue (Note 7)	\$ 360,357	\$ 304,873
Insurance service expense (Note 11)	(317,968)	(286,326)
Insurance service result before reinsurance contracts held (Note 7)	42,389	18,547
Allocation of reinsurance premiums (Note 7)	(31,056)	(23,771)
Amounts recoverable from reinsurers for incurred claims	27,962	15,808
Net expense from reinsurance contracts held (Note 7)	(3,094)	(7,963)
Insurance service result	39,295	10,584
Interest revenue calculated using the effective interest method	1,860	2,006
Other interest, dividend and distribution income	14,558	11,405
Net gains on financial assets classified as FVPL	11,125	6,338
Net gains on financial assets designated as FVPL	1,194	9,588
Net gains on financial assets classified as amortized cost	149	233
Total investment income (Note 12)	28,886	29,570
Net finance expense from insurance contracts (Note 7)	(10,240)	(12,359)
Net finance income from reinsurance contracts (Note 7)	1,047	1,676
Net insurance financial result	(9,193)	(10,683)
Net investment return and net insurance financial result	19,693	18,887
Other expense (Note 11)	(32,796)	(29,332)
Income before income taxes	26,192	139
Income tax expense (Note 10)	(6,753)	(156)
Net income (loss) and comprehensive income (loss)	\$ 19,439	\$ (17)

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, 2025, with comparative information for 2024

2025	Philanthropy Fund	Retained earnings	Members' surplus
Balance, beginning of year	\$ 1,747	\$ 236,824	\$ 238,571
Net income and comprehensive income	106	19,439	19,545
Balance, end of year	\$ 1,853	\$ 256,263	\$ 258,116

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

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, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Net income (loss)	\$ 19,439	\$ (17)
Adjustments for:		
Depreciation and amortization	5,803	5,814
Philanthropy accrual	815	745
Interest and dividend income	(15,828)	(12,071)
Provision for income taxes	(1,839)	(2,229)
Realized gain on investments	(38,768)	(1,744)
Change in unrealized loss (gain) on investments	26,300	(14,415)
	(4,078)	(23,917)
Changes in non-cash operating items:		
Prepaid expenses and other receivables	(657)	239
Investment income due and accrued	(742)	(147)
Accounts payable and accrued liabilities	1,752	(3,070)
	353	(2,978)
Changes in insurance contract	30,160	32,965
Changes in reinsurance contracts	2,543	18,428
	32,703	51,393
Cash flows related to interest, dividends and income taxes:		
Interest and dividends received	16,670	13,674
Income taxes received	2,680	6,872
	19,350	20,546
Total cash flows from operating activities	48,328	45,044
Investing activities:		
Broker loans, principal repayment, net of issuance	(1,899)	717
Joint venture contributions	(1,750)	(1,400)
Sales/maturities	328,844	234,401
Purchase of investments	(415,332)	(247,488)
Philanthropy payments	(709)	(639)
Purchases and disposals of property, plant and equipment and intangible assets	(226)	(59)
Total cash flows used in investing activities	(91,072)	(14,468)
Increase (decrease) in cash	(42,744)	30,576
Cash, beginning of year	61,947	31,371
Cash, end of year	\$ 19,203	\$ 61,947

See accompanying notes to consolidated financial statements.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 includes 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 depends 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, 2026.

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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 fulfills 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 policyholders' 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 is onerous, based on:

- Expected fulfilment ratio greater than 100%
- Historical trends

The Company divides portfolios of reinsurance contracts held, by 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 consist of a single contract.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

3. Material accounting policies (continued):

(iv) Recognition:

The Company recognizes groups of contracts issued at the earlier of: (i) the beginning of the coverage period of the group; (ii) the date when the first payment from a policyholder or to the reinsurer in the group is due; or (iii) 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:

In the measurement of a group of insurance contracts, the Company includes 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, 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 determined in a manner similar to insurance contracts issued, except that the contract boundary is based on 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 Premium Allocation Approach ("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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

3. Material accounting policies (continued):

	IFRS 17 options	Adopted approach
PAA Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	<p>The coverage period for primarily all insurance contracts issued is one year or less; as such, the Company applies the PAA.</p> <p>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.</p>
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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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, adjustments 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 such as 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 are 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 fulfillment 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 premiums 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

3. Material accounting policies (continued):

(xiii) Presentation:

The Company's 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, are all presented separately in the consolidated statement of financial position. 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, the allocation would then be based on the expected timing of the incurred insurance service expenses. In cases of changes in facts and circumstances, the Company will modify the allocation basis, reflecting a change in accounting estimates, and apply the change prospectively.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 fulfillment 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. Subsequently, a loss-recovery component is reduced to zero, in line with reductions in the onerous group of underlying insurance contracts, 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, as well as 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

3. Material accounting policies (continued):

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

Separately, on the face of the consolidated statement of comprehensive income, the Company presents 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, while excluding commissions from an allocation of reinsurance premiums.

(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 credit risk if life insurers fail to fulfill 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 the liability was 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 for the 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

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 rather, 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 it meets 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, 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 - non-SPPI	Mandatorily FVPL
Pooled funds:	
Equity pooled funds	Mandatorily FVPL
Mortgage pooled funds	Mandatorily 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 results 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 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 2025 or 2024.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

3. Material accounting policies (continued):

- ECL 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 of 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. This 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, are 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	3 years

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 that has 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 (i) the initial recognition of goodwill; (ii) the initial recognition of an asset or liability in a transaction which is not a business combination; (iii) 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).

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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) 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 the 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, where 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.

(k) Accounting standards issued but not yet effective:

Several new accounting standards are effective for annual reporting periods beginning January 1, 2026, and earlier application is permitted. However, the Company has not early-adopted the following new, or amended, accounting standards in preparing these consolidated financial statements.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

3. Material accounting policies (continued):

(i) IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18"):

IFRS 18 will replace International Accounting Standard ("IAS") 1, Presentation of Financial Statements, and applies for annual reporting periods beginning on, or after, January 1, 2027. The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations, and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, the Company is required to use the operating profit subtotal as the starting point for the consolidated statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's consolidated statement of profit or loss, the consolidated statement of cash flows, and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the consolidated financial statements, including items currently labelled as 'other'.

(ii) Other accounting standards:

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), with an effective date of January 1, 2026, are not expected to have a significant impact on the Company's consolidated financial statements.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 consolidated 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 consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 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 fulfillment 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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	
	2025	2024	2025	2024	2025	2024	2025	2024
Insurance contract liabilities	3.30%	3.82%	3.81%	3.97%	4.13%	4.20%	4.84%	4.73%

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), it requires 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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% (2024 - 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 provide 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

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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).

2025	Level 1	Level 2	Level 3	Total
Treasury bills	\$ –	\$ 28,757	\$ –	\$ 28,757
Bonds and debentures*	–	316,517	–	316,517
Pooled funds	–	112,761	75,396	188,157
Guarantee Fund	–	436	–	436
Loans receivable**	–	–	12,431	12,431
Total	\$ –	\$ 458,471	\$ 87,827	\$ 546,298

2024	Level 1	Level 2	Level 3	Total
Treasury bills	\$ –	\$ 17,330	\$ –	\$ 17,330
Bonds and debentures*	–	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

* Included in Level 2 bonds are fixed income securities of \$29,007 (2024 - \$28,172) that are measured at amortized cost, which have a fair value of \$28,747 (2024 - \$27,584).

** Included in Level 3 loans receivable are loans of \$12,431 (2024 - \$10,532) 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, 2025.

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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 internal valuation models. The pooled funds relate to investments in commercial mortgages and commercial, retail and industrial properties through limited partnership investments in a real estate trust. The Company's investment consultant monitors performance of the funds, relative to stated objectives, and a benchmark consisting 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, 2025, and December 31, 2024, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	2025	2024
Balance, beginning of year	\$ 75,724	\$ 73,936
Purchases	12,511	3,218
Principal repayments	(672)	(717)
Change in unrealized loss (gain)	264	(713)
Balance, end of year	\$ 87,827	\$ 75,724

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.

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

5. Investments (continued):

Maturity profile of bonds held is as follows:

2025	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Carrying value
Debt instruments at FVPL	\$ –	\$ 261,109	\$ 26,401	\$ –	\$ 287,510
Debt instruments at amortized costs	2,669	9,501	16,571	266	29,007
Total	\$ 2,669	\$ 270,610	\$ 42,972	\$ 266	\$ 316,517
Percent of total	1%	85%	14%	–	100%

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%

The effective interest rate of the bonds portfolio held is 2.93% (2024 - 3.19%).

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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, 2025, 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"):

	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
2025					
Treasury bills	\$ 28,757	\$ 28,757	\$ –	\$ –	\$ –
Bonds and debentures	316,517	303,196	(2,936)	13,061	229
Pooled funds	188,157	–	–	188,157	(23,486)
Other invested assets	12,867	12,431	1,899	436	3
Total	\$ 546,298	\$ 344,384	\$ (1,037)	\$ 201,654	\$ (23,254)

	Total carrying value	SPPI financial assets		Non-SPPI financial assets	
		Fair value	Change in fair value	Fair value	Change in fair value
2024					
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

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

5. Investments (continued):

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

2025	Credit risk	Carrying value amount				Fair value				% of fair value
		Designated as FVPL	Mandatorily as FVPL	Amortized cost	Total	Designated as FVPL	Mandatorily as FVPL	Amortized cost	Total	
Bonds and debentures:										
AAA	Low	\$ 128,585	\$ –	\$ 6,795	\$ 135,380	\$ 128,585	\$ –	\$ 6,720	\$ 135,305	42.8%
AA	Low	56,304	–	14,480	70,784	56,304	–	14,292	70,596	22.3%
A	Low	76,105	6,033	7,144	89,282	76,105	6,033	7,160	89,298	28.2%
BBB	Low	13,455	7,028	588	21,071	13,455	7,028	575	21,058	6.7%
Total bonds and debentures		\$ 274,449	\$ 13,061	\$ 29,007	\$ 316,517	\$ 274,449	\$ 13,061	\$ 28,747	\$ 316,257	100%
Bonds and debentures and treasury bills rated A or better		95%	46%	98%	93%	95%	46%	98%	93%	

2024	Credit risk	Carrying value amount				Fair value				% of fair value
		Designated as FVPL	Mandatorily as FVPL	Amortized cost	Total	Designated as FVPL	Mandatorily as FVPL	Amortized cost	Total	
Bonds and debentures:										
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 and debentures		\$ 208,501	\$ –	\$ 28,172	\$ 236,673	\$ 208,501	\$ –	\$ 27,584	\$ 236,085	100%
Bonds and debentures rated A or better		95%	–	97%	95%	95%	–	97%	95%	

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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, 2025 and 2024, which were not adjusted for in the Company's retained earnings.

6. Equity-accounted investees:

	2025	2024
Interest in joint venture	\$ 911	\$ 362
Interest in associates	3,235	2,625
Total	\$ 4,146	\$ 2,987

(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 Ontario, and is not publicly listed. First Acre also has a wholly owned subsidiary, Douglas Cost Guide, which is a property valuation company focused on the agricultural property and equipment industry.

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 \$16.3 million. This commitment has not been recognized in these consolidated financial statements.

During the year, additional contributions of \$1,750 (2024 - \$1,400) were made to the joint venture.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 Ontario, and is not publicly listed.

On September 1, 2025, Stan Darling acquired Mallory Insurance Brokers Ltd., an insurance brokerage focused on servicing the personal and commercial insurance industry. The brokerage is not material to the consolidated financial statements.

The Company has accounted for its interest in Stan Darling as an investment in associate, as it has significant influence. The Company has provided loans to other investees of Stan Darling. The Company has determined that this does not provide Stan Darling with de facto control, given the loans do not provide incremental rights over Stan Darling.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

7. Insurance and reinsurance contracts:

(a) Assumptions:

The primary assumption underlying estimates for insurance contracts is that the 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, geographical area, as well as 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.

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.

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

2025	Liabilities for remaining coverage		Liabilities for incurred claims ("LIC")		Total
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	
Insurance contracts liabilities, beginning of year	\$ 39,256	\$ 3,689	\$ 251,755	\$ 9,635	\$ 304,335
Insurance contract assets, beginning of year	–	–	–	–	–
Net balance liability, beginning of year	39,256	3,689	251,755	9,635	304,335
Insurance revenue	(360,357)	–	–	–	(360,357)
Insurance service expenses:					
Incurred claims and other directly attributable expense	–	–	283,496	3,611	287,107
Insurance acquisition cash flows amortization	66,084	–	–	–	66,084
Losses on onerous contracts and reversals of those losses	–	1,801	–	–	1,801
Changes that relate to past service - adjustments to the LIC	–	–	(31,911)	(5,113)	(37,024)
Insurance service result	(294,273)	1,801	251,585	(1,502)	(42,389)
Insurance finance expenses	–	–	10,240	–	10,240
Total changes in the consolidated statement of comprehensive income	(294,273)	1,801	261,825	(1,502)	(32,149)
Cash flows:					
Premiums received	370,267	–	–	–	370,267
Claims and other directly attributable expenses paid	–	–	(237,840)	–	(237,840)
Insurance acquisition cash flows	(70,118)	–	–	–	(70,118)
Total cash flows	300,149	–	(237,840)	–	62,309
Net balance liability, end of year	\$ 45,132	\$ 5,490	\$ 275,740	\$ 8,133	\$ 334,495
Insurance contract liabilities, end of year	\$ 45,132	\$ 5,490	\$ 275,740	\$ 8,133	\$ 334,495
Insurance contract assets, end of year	–	–	–	–	–
Net balance liability, end of year	\$ 45,132	\$ 5,490	\$ 275,740	\$ 8,133	\$ 334,495

* PVFCF refers to present value of future cash flows

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

7. Insurance and reinsurance contracts (continued):

2024	Liabilities for remaining coverage		Liabilities for incurred claims ("LIC")		Total
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	
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

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

7. Insurance and reinsurance contracts (continued):

(ii) Reinsurance contracts:

The Company provides a 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		Total
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	
2025					
Reinsurance contract liabilities, beginning of year	\$ (1,019)	\$ 1	\$ 218	\$ 11	\$ (789)
Reinsurance contract assets, beginning of year	(2,837)	77	24,985	950	23,175
Net balance asset (liability), beginning of year	(3,856)	78	25,203	961	22,386
An allocation of reinsurance premiums	(31,056)	–	–	–	(31,056)
Amounts recoverable for claims and other expense	–	–	28,224	210	28,434
Loss-recovery on onerous underlying contracts and adjustments	–	895	–	–	895
Changes to amounts recoverable for incurred claim	–	–	(842)	(525)	(1,367)
Net income (expense) from reinsurance contracts held	(31,056)	895	27,382	(315)	(3,094)
Reinsurance finance income	–	–	1,047	–	1,047
Total changes in the consolidated statement of comprehensive income	(31,056)	895	28,429	(315)	(2,047)
Cash flows:					
Premiums paid, net of ceding commissions and other directly attributable expenses paid	30,853	–	–	–	30,853
Amounts received	–	–	(31,349)	–	(31,349)
Total cash flows	30,853	–	(31,349)	–	(496)
Net balance asset (liability), end of year	\$ (4,059)	\$ 973	\$ 22,283	\$ 646	\$ 19,843
Reinsurance contract liabilities, end of year	\$ (433)	\$ –	\$ 79	\$ 2	\$ (352)
Reinsurance contract assets, end of year	(3,626)	973	22,204	644	20,195
Net balance assets (liability), end of year	\$ (4,059)	\$ 973	\$ 22,283	\$ 646	\$ 19,843

* PVFCF refers to present value of future cash flows

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

7. Insurance and reinsurance contracts (continued):

	Assets for remaining coverage		Assets recoverable on incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	
2024					
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 (expense) 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

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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, 2024	\$ 27,534
Amounts incurred during the year	60,129
Amounts derecognized and included in the measurement of insurance contracts	(56,812)
Balance, December 31, 2024	30,851
Amounts incurred during the year	70,684
Amounts derecognized and included in the measurement of insurance contracts	(66,084)
Balance, December 31, 2025	\$ 35,451

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

8. Property, plant and equipment and intangible assets:

	Property, plant and equipment					Intangible assets		
	Land	Buildings and parking lot	Computer equipment	Furniture and fixtures	Total	Customer list	Internally developed software	Total
Cost								
Balance, December 31, 2024	\$ 462	\$ 12,140	\$ 755	\$ 347	\$ 13,704	\$ 1,285	\$ 36,070	\$ 37,355
Additions	–	88	138	–	226	–	–	–
Balance, December 31, 2025	\$ 462	\$ 12,228	\$ 893	\$ 347	\$ 13,930	\$ 1,285	\$ 36,070	\$ 37,355
Accumulated depreciation								
Balance, December 31, 2024	\$ –	\$ 5,890	\$ 485	\$ 305	\$ 6,680	\$ 1,179	\$ 27,479	\$ 28,658
Depreciation	–	260	272	13	545	106	5,152	5,258
Balance, December 31, 2025	\$ –	\$ 6,150	\$ 757	\$ 318	\$ 7,225	\$ 1,285	\$ 32,631	\$ 33,916
Net book value								
December 31, 2024	\$ 462	\$ 6,250	\$ 270	\$ 42	\$ 7,024	\$ 106	\$ 8,591	\$ 8,697
December 31, 2025	462	6,078	136	29	6,705	–	3,439	3,439

Intangible assets are tested for impairment on an annual basis.

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 2025 was \$1,369 (2024 - \$1,239).

10. Income tax expense:

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

	2025	2024
Current tax expense:		
Based on current year taxable income	\$ 8,551	\$ 2,128
Prior year true-up	41	257
Total current tax expense	8,592	2,385
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	(1,839)	(2,375)
Prior year true-up	–	146
Total deferred tax recovery	(1,839)	(2,229)
Total income tax expense	\$ 6,753	\$ 156

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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% (2024 - 26.5%), are as follows:

	2025	2024
Income before income taxes	\$ 26,192	\$ 139
Expected taxes based on the statutory rate	\$ 6,941	\$ 37
Increase (decrease) in income taxes due to:		
Canadian dividend income not subject to tax	(658)	(616)
Other non-deductible expenses	302	330
Other	168	405
Total income tax expense	\$ 6,753	\$ 156

The movement in 2025 deferred tax liabilities and assets are:

	Opening balance, January 1, 2025	Recognized in comprehensive income (loss)	Closing balance December 31, 2025
Deferred tax liabilities:			
Property, plant and equipment, including intangible assets	\$ 1,248	\$ (1,118)	\$ 130
Real estate trust investment	1,386	209	1,595
Deferred tax liabilities	\$ 2,634	\$ (909)	\$ 1,725
Deferred tax assets:			
Insurance and reinsurance contracts	\$ 1,196	\$ 930	\$ 2,126
Other	17	-	17
Deferred tax assets	\$ 1,213	\$ 930	\$ 2,143
Net deferred tax assets (liabilities)	\$ (1,421)	\$ 1,839	\$ 418

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

10. Income tax expense (continued):

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	\$ (2)	\$ 1,198	\$ 1,196
Other	17	–	17
Corporate minimum tax credit	196	(196)	–
Deferred tax assets	\$ 211	\$ 1,002	\$ 1,213
Net deferred tax assets (liabilities)	\$ (3,650)	\$ 2,229	\$ (1,421)

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

11. Insurance service and other expense:

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

	2025	2024
Claims and benefits	\$ 223,434	\$ 203,258
Salaries and employee benefits	29,637	25,376
Professional fees (other than legal)	4,831	5,489
Legal fees	330	70
Commissions	65,487	56,285
Losses on onerous insurance contracts	1,801	533
Depreciation and amortization	5,803	5,814
Occupancy expenses (including rent, leasing and maintenance)	1,463	1,541
Information technology	13,530	11,967
Philanthropy Fund	(810)	(700)
Equity-accounted investee	(837)	(1,093)
Other	10,695	10,435
	<u>355,364</u>	<u>318,975</u>
Amounts attributed to insurance acquisition cash flows	(70,684)	(60,129)
Amortization of insurance acquisition cash flows	66,084	56,812
	<u>\$ 350,764</u>	<u>\$ 315,658</u>
Represented by:		
Insurance service expenses	\$ 317,968	\$ 286,326
General and operating expenses	32,796	29,332
Total	<u>\$ 350,764</u>	<u>\$ 315,658</u>

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

12. Investment income:

	2025	2024
Interest income	\$ 12,682	\$ 10,177
Dividend and distribution income	3,736	3,234
Realized gain on disposal of investments at FVPL	38,768	1,744
Change in net unrealized gain (loss) on investments at FVPL	(26,300)	14,415
Total	\$ 28,886	\$ 29,570

13. Related party transactions:

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

	2025	2024
Compensation:		
Salaries, employee benefits and directors' fees	\$ 4,330	\$ 3,704
Total pension and other post-employment benefits	116	97
Total	\$ 4,446	\$ 3,801
Premiums	\$ 52	\$ 40
Claims paid	\$ 29	\$ 10

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

14. Accounts payable and accrued liabilities:

	2025	2024
Expenses due and accrued	\$ 1,900	\$ 1,666
Other taxes due and accrued	890	823
Employment benefits	4,369	2,918
Total	\$ 7,159	\$ 5,407

The carrying value of these liabilities approximate their fair value. Accounts payable and accrued liabilities of \$7,159 (2024 - \$5,407) will be realized within 12 months of 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, 2025, and 2024, 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.

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 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 the 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.

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 COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

The Company manages this risk through 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 \$20,195 (2024 - \$23,175).

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 (2024 - \$1,500) in the event of a property claim, \$1,500 (2024 - \$1,500) in the event of an automobile claim, and \$1,500 (2024 - \$1,500) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to \$10,000 (2024 - \$10,000) 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.

At December 31, 2025, the maximum exposure to credit risk from insurance contracts is \$121,558 (2024 - \$109,345), 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 \$370 (2024 - \$2,227).

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 COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

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).

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	
	2025	2024	2025	2024
5% increase in loss ratios:				
Gross	\$ (4,637)	\$ (4,203)	\$ (9,181)	\$ (7,196)
Net	(4,016)	(3,747)	(8,871)	(6,957)
5% decrease in loss ratios:				
Gross	\$ 4,637	\$ 4,203	\$ 9,181	\$ 7,196
Net	4,016	3,747	8,871	6,957

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

	Farm claims		Commercial claims	
	2025	2024	2025	2024
5% increase in loss ratios:				
Gross	\$ (2,225)	\$ (2,038)	\$ (1,758)	\$ (1,636)
Net	(1,887)	(1,777)	(1,425)	(1,358)
5% decrease in loss ratios:				
Gross	\$ 2,225	\$ 2,038	\$ 1,758	\$ 1,636
Net	1,887	1,777	1,425	1,358

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.

(ii) Claims development:

The estimation of claim development involves assessing the future behaviour 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 after 2016, and prior to 2025. The upper half of the tables show 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 considers 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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

Gross claims	2016 & prior years	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
End of insured event year	\$ 616,092	\$ 105,018	\$ 100,704	\$ 110,943	\$ 91,479	\$ 113,415	\$ 218,903	\$ 205,218	\$ 203,244	\$ 257,648	\$ 2,022,664
One year later	615,492	97,958	103,365	109,361	98,739	111,195	220,155	209,389	187,282	–	1,752,936
Two years later	614,471	97,161	102,802	111,486	96,200	107,515	225,067	203,501	–	–	1,558,203
Three years later	608,293	97,134	101,558	107,847	92,949	105,754	218,300	–	–	–	1,331,835
Four years later	605,947	93,414	99,932	106,509	91,106	107,031	–	–	–	–	1,103,939
Five years later	599,339	91,425	98,891	103,486	90,250	–	–	–	–	–	983,391
Six years later	593,418	91,507	98,385	103,547	–	–	–	–	–	–	886,857
Seven years later	590,569	93,144	98,047	–	–	–	–	–	–	–	781,760
Eight years later	591,839	93,317	–	–	–	–	–	–	–	–	685,156
Nine years later	590,489	–	–	–	–	–	–	–	–	–	590,489
Gross estimates of cumulative undiscounted claims cost	590,760	93,317	98,047	103,547	90,250	107,031	218,300	203,501	187,282	257,648	1,949,683
End of insured event year	298,414	53,111	49,149	59,148	43,383	49,337	106,893	93,878	86,928	131,606	971,847
One year later	429,506	72,548	75,216	80,850	64,113	78,267	167,195	155,781	125,913	–	1,249,389
Two years later	467,171	76,271	81,780	86,228	72,608	85,178	188,401	172,354	–	–	1,229,991
Three years later	501,983	79,296	85,439	90,772	78,645	87,705	195,552	–	–	–	1,119,392
Four years later	535,109	83,362	88,794	94,032	82,644	92,194	–	–	–	–	976,135
Five years later	556,512	85,916	91,626	96,451	84,100	–	–	–	–	–	914,605
Six years later	571,221	88,065	94,893	98,756	–	–	–	–	–	–	852,935
Seven years later	575,801	90,068	96,733	–	–	–	–	–	–	–	762,602
Eight years later	580,526	91,472	–	–	–	–	–	–	–	–	671,998
Nine years later	584,803	–	–	–	–	–	–	–	–	–	584,803
Cumulative payments to date	587,658	91,472	96,733	98,756	84,100	92,194	195,552	172,354	125,913	131,606	1,676,338
Gross undiscounted liabilities for incurred claims	3,102	1,845	1,314	4,791	6,150	14,837	22,748	31,147	61,369	126,042	273,345
Effect of discounting and risk adjustment	–	–	–	–	–	–	–	–	–	–	(10,975)
Other attributable expenses	–	–	–	–	–	–	–	–	–	–	21,503
Total liabilities for incurred claims											\$ 283,873

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

Net of reinsurance	2016 & prior years	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
End of insured event year	\$ 511,313	\$ 86,548	\$ 86,375	\$ 101,664	\$ 85,993	\$ 108,525	\$ 141,728	\$ 176,465	\$ 194,853	\$ 228,898	\$ 1,722,362
One year later	506,692	83,248	89,475	101,507	92,402	106,837	146,566	173,964	180,142	–	1,480,833
Two years later	531,431	82,969	91,406	105,433	91,539	104,239	148,201	168,003	–	–	1,323,221
Three years later	526,787	83,929	90,941	102,379	89,648	102,783	142,588	–	–	–	1,139,055
Four years later	525,940	81,963	89,927	101,741	88,598	102,094	–	–	–	–	990,263
Five years later	520,978	80,135	89,531	99,407	87,847	–	–	–	–	–	877,898
Six years later	517,946	79,974	89,062	99,425	–	–	–	–	–	–	786,407
Seven years later	516,491	80,447	88,690	–	–	–	–	–	–	–	685,628
Eight years later	517,273	80,630	–	–	–	–	–	–	–	–	597,903
Nine years later	516,242	–	–	–	–	–	–	–	–	–	516,242
Net estimates of cumulative undiscounted claims cost	516,288	80,630	88,690	99,425	87,847	102,094	142,588	168,003	180,142	228,898	1,694,605
End of insured event year	286,370	44,275	44,804	57,993	43,160	49,321	64,754	84,674	85,051	110,896	871,298
One year later	407,160	62,832	67,531	78,214	63,310	77,352	102,308	126,809	123,348	–	1,108,864
Two years later	437,442	66,197	73,093	82,988	71,250	83,408	115,507	138,082	–	–	1,067,967
Three years later	461,864	69,006	76,502	87,267	76,441	85,923	122,179	–	–	–	979,182
Four years later	483,980	73,029	79,789	90,464	80,440	90,320	–	–	–	–	898,022
Five years later	496,864	75,573	82,614	92,863	81,900	–	–	–	–	–	829,814
Six years later	504,970	76,810	85,828	95,123	–	–	–	–	–	–	762,731
Seven years later	508,947	78,433	87,576	–	–	–	–	–	–	–	674,956
Eight years later	511,332	79,215	–	–	–	–	–	–	–	–	590,547
Nine years later	514,259	–	–	–	–	–	–	–	–	–	514,259
Cumulative payments to date	515,783	79,215	87,576	95,123	81,900	90,320	122,179	138,082	123,348	110,896	1,444,422
Net undiscounted liabilities for incurred claims	505	1,415	1,114	4,302	5,947	11,774	20,409	29,921	56,794	118,002	250,183
Effect of discounting and risk adjustment											(10,354)
Other attributable expenses											21,115
Total net liabilities for incurred claims											\$ 260,944

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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 93% (2024 - 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% (2024 - 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, 2025, the Company's exposure was \$2,091 (2024 - \$2,150).

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

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.

	2025	2024
Treasury bills	\$ 28,757	\$ 17,330
Bonds and debentures	316,517	236,673
Pooled funds	188,157	180,726
Other invested assets	12,867	10,965
Investment income due and accrued	2,086	1,344
Reinsurance contract assets	20,195	23,175
Total	\$ 568,579	\$ 470,213

(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.

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).

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

(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 (2024 - 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 nil (2024 - \$71,369).

(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).

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.

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

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

The following analysis is performed for reasonably possible movements in key variables, with all other variables held constant, highlighting 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.

	Change in interest rate	2025		2024	
		Effect on net profit	Effect on equity	Effect on net profit	Effect on equity
Insurance and reinsurance contracts	+100 bps	\$ 4,791	\$ 3,521	\$ 4,853	\$ 3,567
Debt instruments	+100 bps	8,461	6,219	6,861	5,043
Insurance and reinsurance contracts	-100 bps	(5,084)	(3,737)	(5,550)	(4,079)
Debt instruments	-100 bps	(8,461)	(6,219)	(6,861)	(5,043)

THE COMMONWELL MUTUAL INSURANCE GROUP

Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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, 2025, 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 \$11,276 (2024 - \$11,553).

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.

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

2025	< 1 year	1 to 5 years	Over 5 years	Total
Financial assets:				
Cash	\$ 19,203	\$ –	\$ –	\$ 19,203
Equity* and debt instruments at FVPL	188,157	261,109	26,401	475,667
Debt instruments at amortized cost	2,669	9,501	16,837	29,007
Loans receivable	845	4,114	7,472	12,431
Insurance assets:				
Incurred claims - AFIC undiscounted without RA	11,941	10,206	1,033	23,180
Total assets	222,815	284,930	51,743	559,488
Financial liabilities:				
Accounts payables and accrued liabilities	7,159	–	–	7,159
Insurance liabilities:				
LFRC	50,622	–	–	50,622
Incurred claims - LFIC undiscounted without RA	122,483	147,282	21,156	290,921
Total liabilities	180,264	147,282	21,156	348,702
Net liquidity gap	\$ 42,551	\$ 137,648	\$ 30,587	\$ 210,786
Cumulative liquidity gap	\$ 42,551	\$ 180,199	\$ 210,786	\$ 210,786

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

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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

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.

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.

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Notes to Consolidated Financial Statements (continued)

(In thousands of Canadian dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

In connection with its operations, the Company is defending a lawsuit brought on by a brokerage. Based on legal advice, the likelihood of an outflow of resources is possible but not probable; therefore, no provision has been recognized. Given the action is in its early stages, damages have not been quantified, and the liability cannot be reliably estimated at this time. Timing of any resolution remains uncertain.

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.

	2025	2024
Within 1 year	\$ 4,213	\$ 1,628
After 1 year but not more than 5 years	6,717	571
Total	\$ 10,930	\$ 2,199