WESTMINSTER

MUTUAL INSURANCE COMPANY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

WESTMINSTER
MUTUAL INSURANCE COMPANY

DECEMBER 31, 2023

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To the Policyholders of The Westminster Mutual Insurance Company:

Opinion

We have audited the financial statements of The Westminster Mutual Insurance Company (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income, policyholders' surplus and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated. Our opinion is not modifed in respect to this matter.

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

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

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

MNP LLP
708 Wellington St, Wallaceburg ON, N8A 2Y6 T: 519.627.1448 F: 519.627.0557

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 these 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MNP LLP

Wallaceburg, Ontario — Chartered Professional Accountants

February 26, 2024 — Licensed Public Accountants

The Westminster Mutual Insurance Company
Statement of Financial Position
As at December 31, 2023

	Notes	**2023**	*2022*	*January 1, 2022*
			Restated - see note 3	*Restated - see note 3*
Assets				
Cash and cash equivalents		**$ 2,361,287**	$ 2,833,859	$ 4,015,207
Investments	8	**21,192,942**	19,476,037	17,885,065
Income tax recoverable		**498,574**	256,257	-
Reinsurance contract assets	6	**2,155,104**	3,474,390	2,671,146
Other assets		**6,331**	31,319	-
Investment property	12	**490,000**	490,000	470,000
Property and equipment	10	**726,274**	653,483	685,603
Intangible assets	11	**520,578**	731,950	943,321
		$ 27,951,090	$ 27,947,295	$ 26,670,342
Liabilities				
Accounts payable and accrued liabilities		**$ 240,773**	$ 219,520	$ 204,066
Other payables		**49,514**	44,695	43,696
Insurance contract liabilities	6	**10,009,531**	11,107,991	10,813,899
Income tax payable		**-**	-	45,617
Deferred tax liabilities		**202,000**	276,680	324,198
		10,501,818	11,648,886	11,431,476
Policyholders' surplus				
Unappropriated policyholders' surplus		**17,449,272**	16,298,409	15,238,866
		$ 27,951,090	$ 27,947,295	$ 26,670,342

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

The Westminster Mutual Insurance Company
Statement of Comprehensive Income
For the year ended December 31, 2023

	Notes	2023	2022 Restated - see note 3
Insurance revenue		**$ 12,629,956**	$ 11,993,769
Insurance service expense	7	**(9,877,559)**	(9,924,863)
Insurance service result before reinsurance		**2,752,397**	2,068,906
Reinsurance premiums ceded		**(1,819,887)**	(1,685,446)
Recoverable from (expenditure to) reinsurers for incurred claims		**(665,063)**	2,253,703
Net expense for reinsurance contracts		**(2,484,950)**	568,257
Insurance service result		**267,447**	2,637,163
Net investment income (loss)	8	**1,611,236**	(804,829)
Finance (expense) income from insurance contracts issued		**(420,842)**	135,934
Finance income (expense) from reinsurance contracts held		**122,000**	(37,592)
Net insurance financial result		**1,579,841**	1,930,676
Other income		**11,022**	7,456
General and operating expenses	7	**(681,188)**	(556,107)
Other income and expenses		**(670,166)**	(548,651)
Income before tax		**909,675**	1,382,025
Income tax recovery (expense)	9	**241,188**	(322,482)
Total comprehensive income for the year		**$ 1,150,863**	$ 1,059,543

The accompanying notes are an integral part of these financial statements

The Westminster Mutual Insurance Company
Statement of Policyholders' Surplus
For the year ended December 31, 2023

	Note		*Surplus*
Balance as at January 1, 2022, as previously reported		$	**14,110,577**
Adjustment on initial application of IFRS 17, net of tax	3		**1,128,289**
Restated balance at January 1, 2022			**15,238,866**
Total comprehensive income for the year, restated	3		**1,059,543**
Restated balance as at December 31, 2022			**16,298,409**
Total comprehensive income for the year			**1,150,863**
Balance at December 31, 2023		**$**	**17,449,272**

The accompanying notes are an integral part of these financial statements

The Westminster Mutual Insurance Company

Statement of Cash Flows

For the year ended December 31, 2023

	Notes	*2023*	*2022 Restated - see Note 3*
Cash flows from operating activities			
Total comprehensive income for the year		**$ 1,150,863**	$ 1,059,543
Adjustments for:			
Depreciation	10	**50,736**	60,390
Amortization of intangible assets	11	**211,372**	211,371
Loss on disposal of property and equipment	8	**-**	683
Realized gains on sale of FVTPL assets	8	**(318,264)**	(60,138)
Unrealized gains (losses) on investments	8	**(402,664)**	1,401,342
Unrealized gain on investment property	8	**-**	(20,000)
Interest and dividend income	8	**(982,578)**	(618,285)
(Recovery) provision for income tax	9	**(241,188)**	322,482
		(1,682,586)	1,297,845
Changes in working capital accounts			
Reinsurance contract assets		**1,319,286**	(872,659)
Other assets		**24,988**	(31,319)
Other payables		**4,819**	999
Accounts payable and accrued liabilities		**21,253**	17,454
Insurance contract liabilities		**(1,098,460)**	361,508
		271,886	(524,017)
Cash flows relating to interest, dividends and income taxes			
Interest and dividends received		**966,758**	563,505
Income taxes paid		**(75,809)**	(671,871)
		631,112	1,725,005
Cash flows from investing activities			
Proceeds from sale of investments		**8,646,921**	8,020,496
Purchase of investments		**(9,627,078)**	(10,897,991)
Additions to property and equipment	10	**(123,527)**	(28,858)
		(1,103,684)	(2,906,353)
Decrease in cash and cash equivalents		**(472,572)**	(1,181,348)
Cash and cash equivalents, beginning of year		**2,833,859**	4,015,207
Cash and cash equivalents, end of year		**$ 2,361,287**	$ 2,833,859

The accompanying notes are an integral part of these financial statements

1. CORPORATION INFORMATION

The Westminster Mutual Insurance Company (the Company) is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property, liability, automobile, and farmers' accident insurance in Ontario. The Company's head office is located at 14122 Belmont Road, Belmont, Ontario.

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

These financial statements have been authorized for issue by the Board of Directors on February 21, 2024.

2. BASIS OF PRESENTATION AND MEASUREMENT

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit or loss (FVTPL).

The financial statements' values are presented in Canadian dollars ("CDN"), which is the Company's functional and presentation currency.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

In these financial statements, the Company has applied IFRS 17 - *Insurance Contracts* for the first time. The Company had early adopted IFRS 9 – *Financial Instruments* in 2018. There have been no early adoptions of any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has applied IFRS 17 for the first time using the full retrospective approach which resulted in an opening adjustment recognized in Policyholders' surplus of $1,128,289.

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

i. Transition

On transition date, 1 January 2022, the Company:

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

ii. *Changes to classification and measurement*

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

ii. Changes to classification and measurement (Continued)

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

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Company defers insurance acquisition cash flows for all product lines over the contract boundary.

The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.

iii. Changes to presentation and disclosure

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

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

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

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

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

3. ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

iv. Impact of adopting IFRS 17

The following tables summarize the impact of IFRS 17 on the Company's statement of financial position on transition.

Impact of IFRS on the statement of financial position

As at January 1, 2022	IFRS4	Presentation	Measurement	IFRS17
Total assets	$ 31,290,643	$ (4,024,191)	$ (596,110)	$ 26,670,342
Total liabilities	17,180,066	(4,024,191)	1,724,399	11,431,476
Policyholder's surplus	$ 14,110,577		$ 1,128,289	$ 15,238,866

As at December 31, 2022	IFRS4	Jan 1, 2022 Adjustments	Presentation	Measurement	IFRS17
Total assets	$ 32,187,772	$ (596,110)	$ (4,163,517)	$ 519,150	$ 27,947,295
Total liabilities	17,092,215	(1,724,399)	(4,163,517)	(444,588)	11,648,886
Policyholder's surplus	$ 15,095,557	$ 1,128,289	$ -	$ 74,562	$ 16,298,409
Total comprehensive income	$ 984,981			$ 74,562	$ 1,059,543

Measurement impact of IFRS 17

	As at January 1, 2022	As at December 31, 2022
Discount rate	$ 158,522	$ 356,560
Risk adjustment	(233,095)	25,320
IFRS 17 Methodology changes	1,609,660	(280,436)
Income tax	(406,798)	(26,882)
Total Impact	**$ 1,128,289**	**$ 74,562**

4. MATERIAL ACCOUNTING POLICIES

a) INSURANCE AND REINSURANCE CONTRACTS

i. Insurance contracts classification

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

ii. Separating components from insurance and reinsurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract.

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

iii. Levels of aggregation

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

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

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

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

iv. Recognition

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

v. Contract boundary

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

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

vi. Measurement – Premium Allocation Approach

	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	Coverage period for all insurance and reinsurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortised over the coverage period of the related group.	For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, 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 LRC.	For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all business lines, adjustments are made for the time value of money when assessing the incurred claims
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in OCI.	For all contracts, the change in LIC as a result of changes in discount rates will be captured within comprehensive income.

vii. Insurance contracts – initial measurement

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

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

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

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 recognises 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 recognised.

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 recognises 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 recognised 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 recognised 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 amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- Minus the amount recognised as insurance revenue for the services provided in the period,

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

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises 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 recognised.

4. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

x. *Insurance contracts – subsequent measurement*

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

xi. Reinsurance contracts – subsequent measurement

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

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

xii. Insurance acquisition cash flows

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

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

xiii. Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

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

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

xiv. Presentation

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

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

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

xv. Insurance revenue

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

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

For the periods presented, all revenue has been recognised based on the passage of time.

xvi. Loss components

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

xvii. Loss-recovery components

As described in Note 4(a)(xvi) above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

xviii. Insurance finance income and expense

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

xix. Net expense from reinsurance contracts held

The Company separately presents on the face of the statement of comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the statement of comprehensive income.

b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes short-term investments with a maturity of three months or less from the date of acquisition.

4. MATERIAL ACCOUNTING POLICIES (Continued)

c) INVESTMENTS

i) Financial assets

The Company initially recognizes financial assets at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company designates all financial assets including cash and cash equivalents and investments as fair value through profit and loss (FVTPL) and subsequently measures trade financial assets at fair value.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The fair value of Level 2 investments is determined using inputs based on quoted market bid prices that are observable either directly as prices or indirectly as derived from prices.

The fair value of Level 3 investments is determined based on unobservable inputs.

ii) Net investment income (expense)

Net investment income consists of dividends, interest, realized gains and losses and unrealized gains and losses on fair value assets. Interest income is recognized as it accrues in comprehensive income, using the effective interest method. Dividend income is recognized in comprehensive income on the date that the Company's right to receive payment is established. Investment management and custodial fees expenses are recognized as incurred.

iii) Financial Liabilities

Financial liabilities are recognized initially at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company has the following financial liabilities: accounts payable and accrued liabilities and other payables.

Financial liabilities are subsequently measured at amortized cost.

d) INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes. Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the statement of comprehensive income.

Current income taxes are recognized as estimated income taxes for the current year. Deferred income tax assets and liabilities consist of temporary differences between tax and accounting basis of assets and the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded

4. MATERIAL ACCOUNTING POLICIES (Continued)

d) INCOME TAXES (Continued)

against any deferred income tax asset if it is probable that the asset will not be realized, probable being defined as more likely than not.

e) PROPERTY AND EQUIPMENT

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Costs include expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in the statement of comprehensive income and is provided over the useful life of the assets using the declining balance method for buildings and furniture and fixtures and straight line for computer hardware.

Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Company and the item can be reliably measured. Repairs and maintenance are charged to the Statement of Comprehensive Income in the period in which they have been incurred.

Depreciation is recognized in comprehensive income using the following methods and rates:

Buildings	4-10 % diminishing balance
Computer hardware	3 years straight-line
Furniture and equipment	20 % diminishing balance

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment losses are recognized in the statement of operations as an expense. In the event the value of a previously impaired asset recovers, the previously recognized impairment loss is recovered in the statement of operations at that time.

f) INTANGIBLE ASSETS

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Company and a portfolio of insurance accounts.

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the intangible asset. Computer software is being amortized on a straight-line basis over 15 years. Insurance accounts are being amortized on a straight-line basis over 5 years.

The amortization expense is included in other operating and administrative expenses in the statement of comprehensive income.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed the recoverable amount.

g) INVESTMENT PROPERTY

The investment property is property held for long-term rental income or for capital appreciation or both and is not occupied by the Company. Investment property is measured at fair value with the change in fair value being recorded in the statement of comprehensive income. The Company revalues the investment property on an annual basis with the value being determined by an external service provider.

4. MATERIAL ACCOUNTING POLICIES (Continued)

h) EMPLOYEE FUTURE BENEFITS

Pension Plan

The Company makes contributions on behalf of its employees to "The Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies". The pension plan is being accounted for as a multi-employer pension plan as defined by IAS 19 Employee Benefits. Eligible employees participate in the defined benefit plan. The defined benefit plan specifies the amount of the retirement benefit to be received by the employee based on the number of years the employee has contributed and his/her final average earnings. The plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. Under the terms of the Ontario Mutual Insurance Association Pension Plan, the Company is liable for the obligations of other companies participating in the pension should they be unable to satisfy their respective funding requirements.

The Company is one of a number of employers who have pooled the assets and liabilities of the pension plan to take advantage of economies of scale in making investment decisions and in minimizing expenses. The information to account for the plan as a defined benefit plan is not readily available for each company to determine its share of the assets and liabilities of the plan. In the event of a wind-up or withdrawal from the plan, the Company is responsible for its portion of the deficit and all expenses as determined by the plan actuary.

5. CRITICAL ACCOUNTING ESTIMATES

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

Estimates and Assumptions

a) Valuation of insurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

i. Onerous groups

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

ii. Time value of money

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

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Estimates and Assumptions (Continued)

b) *Liability for incurred claims*

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

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

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

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

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

iii. *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 sovereign securities. The illiquidity premium is determined by reference to observable market rates.

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

	1 year		3 years		5 years		10 years	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Insurance Contract Liabilities	4.52	4.41	3.7	3.97	3.53	3.86	3.77	4.08
Reinsurance Contract Assets	4.52	4.41	3.7	3.97	3.53	3.86	3.77	4.08

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in Note 6 (a)i.

iv. *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.

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Estimates and Assumptions (Continued)

iv. Risk adjustment for non-financial risk (Continued)

The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed that in order to be indifferent to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) they require an additional amount equivalent to the 75^{th} percentile level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in Note 6 (a)i.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, aside from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

a) Measurement of income taxes

Management exercises judgement in estimating the provision for income taxes. The Company is subject to income tax laws in various provincial jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the Company and the relevant tax authority. In the event the Company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

Significant management judgement is also required to determine the deferred tax balances. Management is required to determine the amount of deferred tax assets and liabilities that can be recognized, based on their best estimate of the likely timing that the temporary difference will be realized, and of the likelihood that taxable profits will exist in the future.

b) Measurement of insurance acquisition cash flows

Management exercise judgement when determining the allocation basis applied to insurance acquisition cash flows.

c) Classification of financial assets

Classification of financial assets requires management to make judgements regarding the business model under which the Company's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest.

6. INSURANCE AND REINSURANCE CONTRACTS

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

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

The risks written by the Company are concentrated within Ontario.

a) Insurance risk

i. Sensitivities

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

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

2023

	Change in assumptions	Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity, gross of reinsurance	Impact on equity, net of reinsurance
		$'000	$'000	$'000	$'000
Expected loss	5.00%	(153)	(108)	(112)	(79)
Inflation rate	1.00%	(133)	(88)	(98)	(65)
Interest rate	1.00%	125	82	92	60
Expected loss	-5.00%	150	105	110	77
Inflation rate	-1.00%	131	86	96	63
Interest rate	-1.00%	(129)	(85)	(95)	(62)

2022

	Change in assumptions	Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity, gross of reinsurance	Impact on equity, net of reinsurance
		$'000	$'000	$'000	$'000
Expected loss	5.00%	(101)	(31)	(74)	(23)
Inflation rate	1.00%	(220)	(116)	(162)	(85)
Interest rate	1.00%	204	108	150	79
Expected loss	-5.00%	100	31	74	23
Inflation rate	-1.00%	214	114	157	84
Interest rate	-1.00%	(214)	(113)	(157)	(83)

ii. Claims development

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

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

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

ii. Claims development (Continued)

Gross and Net undiscounted liabilities for incurred claims for 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Gross of Reinsurance											
End of insured event year	$5,388,344	$3,217,627	$3,820,586	$3,482,848	$4,996,440	$4,480,552	$4,924,448	$5,997,232	$6,358,130	$6,733,868	
One year later	5,745,377	3,550,386	4,022,731	3,700,173	5,050,584	4,145,130	4,415,001	6,030,970	6,270,362		
Two years later	7,039,532	4,175,580	3,820,212	3,672,858	4,727,051	3,988,956	4,584,786	5,759,278			
Three years later	6,192,099	3,948,965	3,433,230	3,471,440	4,129,738	3,538,987	4,569,987				
Four years later	5,877,316	4,209,927	3,325,243	3,451,666	4,007,654	3,331,415					
Five years later	6,332,903	4,168,669	3,302,399	3,356,514	4,053,261						
Six years later	6,161,478	4,150,804	3,302,399	3,359,074							
Seven years later	6,155,607	4,150,804	3,283,285								
Eight years later	6,155,607	4,122,484									
Nine years later	6,155,607										
Gross estimates of the undiscounted amount of the claims	**6,155,607**	**4,122,484**	**3,283,285**	**3,359,074**	**4,053,261**	**3,331,415**	**4,569,987**	**5,759,278**	**6,270,362**	**6,733,868**	**47,638,621**
Cumulative payments to date	6,156,607	4,122,484	3,240,545	3,354,853	3,770,176	3,327,431	4,191,518	5,048,579	2,933,323	4,005,299	40,150,815
Gross undiscounted liabilities for incurred claims	-	-	42,740	4,221	283,085	3,984	378,469	710,699	3,337,039	2,728,569	7,487,806
Share of Facility Association											552,777
Risk adjustment											183,799
Effect of discounting											(550,342)
Gross IBNR											940,000
Total liabilities for incurred claims											**$8,614,040**

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) *Insurance risk (Continued)*

ii. *Claims development (Continued)*

Gross and Net undiscounted liabilities for incurred claims for 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Net of Reinsurance											
End of insured event year	$ 3,910,333	$2,092,458	$2,590,235	$2,435,277	$4,836,988	$4,419,436	$4,372,855	$4,930,925	$4,261,755	$6,649,030	
One year later	3,953,600	2,365,658	2,672,479	2,460,891	4,907,007	4,099,541	4,013,992	4,629,073	4,071,261		
Two years later	4,611,290	2,665,117	2,571,126	2,446,483	4,583,474	3,923,368	4,190,088	4,446,646			
Three years later	4,166,166	2,560,658	2,372,635	2,375,774	4,035,166	3,473,398	4,165,289				
Four years later	4,008,696	2,569,095	2,318,641	2,371,796	3,913,083	3,285,891					
Five years later	4,004,666	2,570,736	2,307,220	2,276,643	3,958,690						
Six years later	3,898,954	2,568,014	2,306,884	2,278,703							
Seven years later	3,893,083	2,448,349	2,297,357								
Eight years later	3,893,108	2,445,232									
Nine years later	3,893,108										
Net estimates of the undiscounted amount of the claims	**3,893,108**	**2,445,232**	**2,297,357**	**2,278,703**	**3,958,690**	**3,285,891**	**4,165,289**	**4,446,646**	**4,071,261**	**6,649,030**	**37,491,207**
Cumulative payments to date	3,893,108	2,445,232	2,275,987	2,276,592	3,675,605	3,281,907	3,800,894	3,742,248	2,887,120	3,953,398	32,232,091
Net undiscounted liabilities for incurred claims	-	-	21,370	2,111	283,085	3,984	364,395	704,398	1,184,141	2,695,632	5,259,116
Share of Facility Association											518,894
Risk adjustment											135,654
Effect of discounting											(374,237)
Net IBNR											813,000
Total liabilities for incurred claims											**$6,352,427**

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) *Financial risk management*

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

i. Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

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. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

The maximum exposure to investment credit risk is the carrying value of investments.

The Company manages its credit exposure principally through its investment securities and reinsurance contract assets. The table below provides information regarding the credit quality of reinsurance contract assets and debt instruments measured at FVTPL.

	2023			
	A or better	**Less than A**	**Not rated**	**Total**
Term deposits	$ 2,514,172	$ -	$ 520,447	**$ 3,034,619**
Bonds	-	-	1,020,250	**1,020,250**
Pooled funds - fixed income	10,812,226	2,485,572	-	**13,297,798**
Reinsurance contract assets	-	2,155,104	-	**2,155,104**
	$ 13,326,398	**$ 4,640,676**	**$ 1,540,697**	**$ 19,507,771**

	2022			
	A or better	**Less than A**	**Not rated**	**Total**
Term deposits	$ 3,090,960	$ -	$ 1,532,397	$ 4,623,357
Bonds	-	-	1,020,408	1,020,408
Pooled funds - fixed income	8,223,959	1,887,117	-	10,111,076
Reinsurance contract assets	-	3,474,390	-	3,474,390
	$ 11,314,919	$ 5,361,507	$ 2,552,805	$ 19,229,231

Concentrations of credit risk

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

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

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. Claim payments are funded by current operating cash flow including investment income.

The Company also maintains a minimum of 5% of its investible assets in cash and money market investments to manage short-term liquidity issues.

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 cash flows (principal and interest) and are analysed by their expected payment dates. Liabilities for remaining coverage measure under the PAA have been excluded from the analysis.

For the year ended December 31, 2023

	2024	2025	2026	2027	2028	>2028	
	1 year	2 year	3 year	4 year	5 year	>5 year	Total
Financial assets							
Cash and cash equivalents	$2,361,287	$ -	$ -	$ -	$ -	$ -	$ 2,361,287
Investments	5,443,921	1,364,813	4,041,306	1,966,697	2,017,310	6,358,895	21,192,942
Insurance assets							
Reinsurance contract assets	585,104	241,000	917,000	286,000	116,000	10,000	2,155,104
Total assets	$8,390,312	$1,605,813	$4,958,306	$2,252,697	$2,133,310	$6,368,895	$25,709,333
Insurance liabilities							
Liability for incurred claims	$4,096,040	$1,369,000	$1,863,000	$ 933,000	$ 289,000	$ 64,000	$ 8,614,040
Financial liabilities							
Accounts payable and accrued liabilities	240,773	-	-	-	-	-	240,773
Other payables	49,514	-	-	-	-	-	49,514
Total liabilities	$4,386,327	$1,369,000	$1,863,000	$ 933,000	$ 289,000	$ 64,000	$ 8,904,327
Net liquidity gap	$4,003,985	$ 236,813	$3,095,306	$ 1,319,697	$1,844,310	$6,304,895	$ 16,805,006

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

ii) Liquidity risk (Continued)

For the year ended December 31, 2022

	2023 1yr	2024 2yr	2025 3yr	2026 4yr	2027 5yr	>2027 >5yr	Total
Financial assets							
Cash and cash equivalents	$ 2,833,859	$ -	$ -	$ -	$ -	$ -	$ 2,833,859
Investments	8,625,627	754,365	4,128,543	1,148,292	1,451,924	3,367,286	19,476,037
Insurance assets							
Reinsurance contract assets	793,390	199,000	502,000	1,096,000	547,000	337,000	3,474,390
Total assets	$12,252,876	$ 953,365	$ 4,630,543	$2,244,292	$1,998,924	$ 3,704,286	$25,784,286
Insurance liabilities							
Liability for incurred claims	3,581,275	1,141,000	1,481,000	2,052,000	968,000	601,000	9,824,275
Financial liabilities							
Accounts payable and accrued liabilities	219,520	-	-	-	-	-	219,520
Other payables	44,695	-	-	-	-	-	44,695
Total liabilities	$ 3,845,490	$ 1,141,000	$ 1,481,000	$2,052,000	$ 968,000	$ 601,000	$10,088,490
Net liquidity gap	**$ 8,407,386**	**$ (187,635)**	**$ 3,149,543**	**$ 192,292**	**$1,030,924**	**$ 3,103,286**	**$15,695,796**

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

iii) Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, price risk and currency risk.

a) Interest rate risk

Finance income or expenses from insurance contracts issued and reinsurance contracts held 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 our insurance business.

The Company is also exposed to interest rate risk through its interest-bearing investments.

At December 31, 2023, a 1% move in interest rates, with all other variables held constant, could impact the market value of the interest bearing investments by $656,060 (2022 - $464,075). These changes would be recognized in the statement of comprehensive income.

b) Price risk

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

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

iii) Market risk (Continued)

At December 31, 2023, a 10% move in equity markets, with all other variables held constant, would have an estimated effect on the fair values of these equity holdings of $311,022 (2022 - $313,847). This change would be recognized in the statement of comprehensive income.

The company has investment policies regarding limits on the total amount invested in equities as well as limits on securities of a single issuer. Adherence to the policies are monitored by the Board of Directors and holdings are adjusted on a quarterly basis to ensure compliance with the policies.

c) Currency risk

Currency risk represents the risk that the Company incurs losses due to exposure to foreign currency fluctuations. The Company is exposed to this risk through its equity holdings within its investment portfolio.

At December 31, 2023, a 10% change in the value of the United States dollar would have an estimated effect on the fair values of these foreign holdings of $42,097 (2022 - $NIL). This change would be recognized in the statement of comprehensive income.

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

c) 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.

For the period ended December 31, 2023	Liabilities for remaining coverage	Liabilities for incurred claims, PAA		TOTAL
	Ex. Loss Component	Expected PVFCF	Risk Adjustment	
Opening balance Insurance Contract Liabilities	$ 1,283,716	$ 9,448,355	$ 375,920	$ 11,107,991
Insurance Revenue	12,629,956	-	-	12,629,956
Incurred claims and other insurance service expenses	-	7,029,942	-	7,029,942
Amortization of insurance acquisition cash flows	4,025,834	-	-	4,025,834
Adjustments to liabilities for incurred claims	-	(986,096)	(192,121)	(1,178,217)
Total insurance service expenses	4,025,834	6,043,846	(192,121)	9,877,559
Insurance service result	$ 8,604,122	$ (6,043,846)	$ 192,121	$ 2,752,397
Finance expense from insurance contracts issued	-	420,842	-	420,842
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	$ 8,604,122	(6,464,688)	$ 192,121	$ 2,331,555
CASH FLOWS				
Premiums received for insurance contracts	12,953,102	-	-	12,953,102
Claims, benefits and other expenses paid	-	(7,482,802)	-	(7,482,802)
Insurance acquisition cash flows	(4,237,205)	-	-	(4,237,205)
TOTAL CASH FLOWS	8,715,897	(7,482,802)	-	1,233,095
Ending balance insurance contract liabilities	**$ 1,395,491**	**$ 8,430,241**	**$ 183,799**	**$ 10,009,531**

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

c) Roll forward of net asset or liability for insurance contracts (Continued)

For the period ended December 31, 2022	**Liabilities for remaining coverage**	**Liabilities for incurred claims, PAA**		**TOTAL**
	Ex. Loss Component	**Expected PVFCF**	**Risk Adjustment**	
Opening balance Insurance Contract Liabilities	$ 1,269,730	$ 9,220,367	$ 323,802	$ 10,813,899
Insurance Revenue	11,993,769			11,993,769
Incurred claims and other insurance service expenses	-	6,141,432	-	6,141,432
Amortization of insurance acquisition cash flows	3,731,313	-	-	3,731,313
Adjustments to liabilities for incurred claims	-	-	52,118	52,118
Insurance Service Expenses	3,731,313	6,141,432	52,118	9,924,863
Insurance service result	$ 8,262,456	(6,141,432)	$ (52,118)	$ 2,068,906
Finance income from insurance contracts issued	-	(135,934)	-	(135,934)
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	$ 8,262,456	$ (6,005,498)	$ (52,118)	$ 2,204,840
CASH FLOWS				
Premiums received for insurance contracts	12,263,306	-	-	12,263,306
Claims, benefits and other expenses paid	-	(5,777,510)	-	(5,777,510)
Insurance acquisition cash flows	(3,986,864)		-	(3,986,864)
TOTAL CASH FLOWS	8,276,442	(5,777,510)		2,498,932
Ending balance insurance contract liabilities	**$ 1,283,716**	**$ 9,448,355**	**$ 375,920**	**$ 11,107,991**

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance contracts

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

For the period ended December 31, 2023	Assets for remaining	Assets for incurred claims under PAA		TOTAL
	Ex. Loss-Recovery Component	Expected PVFCF	Risk Adjustment	
Net opening reinsurance contract held balances	$ (67,495)	$ 3,373,740	$ 168,145	$ 3,474,390
CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME				
Allocation of reinsurance premiums paid	$ (1,819,887)	-	-	$ (1,819,887)
Incurred claims recovered and other reinsurance service expenses	-	(545,063)	-	(545,063)
Adjustments to assets for incurred claims	-	-	(120,000)	(120,000)
Amounts recoverable from reinsurers	-	(545,063)	(120,000)	(665,063)
Net expenses from reinsurance contracts held	$ (1,819,887)	$ (545,063)	$ (120,000)	$ (2,484,950)
Finance income from reinsurance contracts held	-	122,000	-	122,000
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	$ (1,819,887)	$ (423,063)	$ (120,000)	$ (2,362,950)
Premiums paid	1,780,873	-	-	1,780,873
Amounts received	-	(737,209)	-	(737,209)
TOTAL CASH FLOWS	$ 1,780,873	$ (737,209)	-	$ 1,043,664
Net ending reinsurance contract held balances	**$ (106,509)**	**$ 2,213,468**	**$ 48,145**	**$ 2,155,104**

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance contracts (Continued)

For the period ended December 31, 2022	**Assets for remaining coverage**	**Assets for incurred claims, PAA**		**TOTAL**
	Ex. Loss-Recovery Component	**Expected PVFCF**	**Risk Adjustment**	
Net opening reinsurance contract held balances	$ (24,500)	$ 2,604,939	$ 90,707	$ 2,671,146
CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME				
Allocation of reinsurance premiums paid	$ (1,685,446)	-	-	$ (1,685,446)
Incurred claims recovered and other reinsurance service expenses	-	2,176,265	-	2,176,265
Adjustments to assets for incurred claims	-	-	77,438	77,438
Amounts recoverable from reinsurers	-	2,176,265	77,438	2,253,703
Net expenses from reinsurance contracts held	$ (1,685,446)	$ 2,176,265	$ 77,438	$ 568,257
Finance expense from reinsurance contracts held	-	(37,592)	-	(37,592)
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	$ (1,685,446)	$ 2,138,673	$ 77,438	$ 530,665
Premiums paid	1,642,451	-	-	1,642,451
Amounts received	-	(1,369,872)	-	(1,369,872)
TOTAL CASH FLOWS	$ 1,642,451	$ (1,369,872)	-	$ 272,579
Net ending reinsurance contract held balances	**$ (67,495)**	**$ 3,373,740**	**$ 168,145**	**$ 3,474,390**

* PVFCF refers to present value of future cash flows

7. INSURANCE SERVICE EXPENSE

The breakdown of insurance service expenses by major product lines is presented below:

	2023	2022
Claims	$ 5,789,414	$ 5,948,147
Salaries and employee benefits	1,160,762	1,049,164
Professional fees	131,509	64,118
Commissions	2,119,561	2,125,106
Depreciation and amortization	262,108	259,507
Occupancy	201,461	181,076
Information technology	476,146	458,084
Inspections	77,202	92,439
Other general expenses	340,583	303,329
Total	$ 10,558,747	$ 10,480,970

Represented by:	2023	2022
Insurance service expenses	$ 9,877,559	$ 9,924,863
General and operating expenses	681,188	556,107
Total	$ 10,558,747	$ 10,480,970

8. INVESTMENTS

	December 31, 2023		December 31, 2022	
	Cost	Fair value	Cost	Fair value
Term Deposits	$ 2,975,351	$ 3,034,619	$ 4,580,117	$ 4,623,357
Bonds				
Canadian Fixed Income	1,000,000	1,020,250	1,000,000	1,020,408
Equity investments				
Canadian Equity	500,000	709,645	500,000	562,575
Pooled funds				
Canadian fixed Income	13,572,805	13,156,325	11,044,075	10,111,076
Foreign fixed income	158,632	141,473	-	-
Canadian Equity	2,755,423	2,830,720	2,826,329	3,138,474
Foreign Equity	286,414	279,496	-	-
	16,773,274	16,408,014	13,870,404	13,249,550
Other investments				
Fire Mutuals guarantee fund	20,414	20,414	20,147	20,147
Total investments	$ 21,269,039	$ 21,192,942	$ 19,970,668	$ 19,476,037

As at December 31, 2023, the Company has accrued interest of $79,517 (2022 - $63,647).

8. INVESTMENTS (Continued)

Maturity schedule of investments

The following table presents the maturity profile of the investment portfolio, excluding equities:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Fair value
December 31, 2023					
Term deposits	$1,485,390	$1,549,229	$ -	$ -	$ 3,034,619
Bonds	-	818,750	-	201,500	1,020,250
Pooled Funds-					
Canadian Fixed Income	115,526	6,978,219	5,987,497	75,083	13,156,325
Foreign Fixed Income	2,730	43,928	94,815		141,473
Total	$1,603,646	$9,390,126	$ 6,082,312	$ 276,583	$ 17,352,667
Percent of Total	9%	54%	35%	2%	
December 31, 2022					
Term deposits	$4,623,357	$ -	$ -	$ -	$ 4,623,357
Bonds	-	818,896	-	201,512	1,020,408
Pooled Funds-					
Canadian Fixed Income	281,073	6,664,228	3,165,774	-	10,111,076
Total	$4,904,430	$7,483,124	$ 3,165,774	$ 201,512	$ 15,754,841
Percent of Total	31%	47%	20%	1%	

The rate of return of the pooled funds portfolio held is 3.25% as at December 31, 2023 (2022 – 3.57%).

8. INVESTMENTS (Continued)

The Company has categorized its assets measured at fair value into the three-level fair value hierarchy as summarized in the following table, based on the priority of the inputs to the respective valuation technique as defined in Note 4 (b)i:

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Term Deposits	**$ -**	**$ 3,034,619**	**$ -**	**$ 3,034,619**
Bonds	**-**	**1,020,250**	**-**	**1,020,250**
Equities	**-**	**-**	**709,645**	**709,645**
Pooled funds	**-**	**13,883,986**	**2,524,028**	**16,408,014**
Other investments		**20,414**	**-**	**20,414**
Total	**$ -**	**$ 17,959,269**	**$ 3,233,673**	**$ 21,192,942**
December 31, 2022				
Term Deposits	$ -	$ 4,623,357	$ -	$ 4,623,357
Bonds	-	1,020,408	-	1,020,408
Equities	-	-	562,575	562,575
Pooled funds	-	10,107,681	3,141,869	13,249,550
Other investments	-	20,147	-	20,147
Total	$ -	$ 15,771,593	$ 3,704,444	$ 19,476,037

There were no transfers between Level 1, Level 2 and Level 3 for the years ended December 31, 2023 and 2022.

A portion of the Company's investment in Canadian fixed income pooled funds is invested in a Canadian mortgage pooled fund. The level 3 commercial mortgage pooled funds are valued based on the net asset values of the fund as provided by the investment manager of the fund. The commercial mortgages in the commercial mortgage pooled fund are valued at the present value of discounted future cash flows. The discount rate is based on the equivalent Government of Canada rate and an additional spread to compensate for a loan's particular risk. Due to the use of unobservable data and their limited liquidity, commercial mortgages are classified as Level 3.

The investment in Canadian corporate bonds and Canadian corporate equities consists of amounts invested in a Canadian private company. The fair value of these investments is based on valuation techniques that include inputs that are not based on observable market data. Due to the use of unobservable data the investment in this Canadian private company is classified as Level 3.

The reconciliation of financial instruments at fair value using unobservable inputs (Level 3) is as follows:

	2023	2022
Balance, beginning of the year	**$ 3,704,444**	$ 3,421,168
Net purchases and sales	**(703,430)**	368,218
Unrealized gains (losses)	**232,659**	(84,942)
Balance, end of the year	**$ 3,233,673**	$ 3,704,444

8. INVESTMENTS (Continued)

SUMMARY OF NET INVESTMENT INCOME (LOSS)

	2023	2022
Net realized gains on sale of FVTPL financial assets	**$ 318,264**	$ 60,138
Interest income	**761,656**	470,606
Dividend income	**220,922**	147,679
Unrealized gains (losses) on investments	**402,664**	(1,401,342)
Investment fees	**(102,384)**	(114,569)
Loss on disposal of property and equipment	**-**	(683)
Net rental income	**10,114**	13,342
Unrealized gain on investment property	**-**	20,000
	$ 1,611,236	$ (804,829)

9. INCOME TAXES

The significant components of tax (recovery) expense included in net income are composed of:

	2023	2022
Current tax (recovery) expense	**$ (166,508)**	$ 370,000
Deferred tax (recovery) expense	**(74,680)**	(47,518)
(Recovery of) provision for income taxes	**$ (241,188)**	$ 322,482

Reasons for the difference between tax (recovery) expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2022 - 26.5%) are as follows:

	2023	2022
Income before income taxes	**$ 909,675**	$ 1,382,025
Expected taxes based on the statutory rate of 26.5% (2022 - 26.5%)	**241,064**	366,237
Canadian dividend income	**(20,150)**	(19,875)
Claims reserves timing differences	**(455,266)**	(24,794)
Other non-deductible expenses	**2,164**	914
(Recovery of) provision for income taxes	**$ (241,188)**	$ 322,482

10. PROPERTY AND EQUIPMENT

	Land	Buildings	Computer hardware	Furniture and equipment	Total
Cost					
Balance at January 1, 2022	$ 265,087	$ 658,449	$ 114,033	$ 187,767	$ 1,225,336
Additions	-	-	28,858	-	28,858
Disposals	-	-	(13,173)	-	(13,173)
Balance on December 31, 2022	265,087	658,449	129,718	187,767	1,241,021
Additions	-	115,702	7,825	-	123,527
Disposals	-	-	-	-	-
Balance on December 31, 2023	**$ 265,087**	**$ 774,151**	**$ 137,542**	**$ 187,767**	**$ 1,364,548**
Accumulated depreciation					
Balance at January 1, 2022	-	$ 304,019	$ 88,206	$ 147,507	$ 539,732
Depreciation expense	-	22,984	26,094	11,312	60,390
Disposals	-		(12,584)		(12,584)
Balance on December 31, 2022	-	327,003	101,715	158,819	587,538
Depreciation expense	-	21,390	23,556	5,790	50,736
Disposals	-	-	-	-	-
Balance on December 31, 2023	**-**	**$ 348,393**	**$ 125,271**	**$ 164,609**	**$ 638,274**
Net book value					
December 31, 2022	$ 265,087	$ 331,445	$ 28,002	$ 28,948	$ 653,483
December 31, 2023	**$ 265,087**	**$ 425,758**	**$ 12,271**	**$ 23,158**	**$ 726,274**

11. INTANGIBLE ASSETS

	Computer Software	Insurance Accounts	Total
Cost			
Balance at January 1, 2022	$ 47,101	$ 1,041,156	$ 1,088,257
Additions	-	-	-
Balance on December 31, 2022	47,101	1,041,156	1,088,257
Additions	-	-	-
Balance on December 31, 2023	$ 47,101	$ 1,041,156	$ 1,088,257
Accumulated depreciation			
Balance at January 1, 2022	$ 40,820	$ 104,116	$ 144,936
Amortization expense	3,140	208,231	211,371
Balance on December 31, 2022	43,960	312,347	356,307
Amortization expense	3,141	208,231	211,372
Balance on December 31, 2023	$ 47,101	$ 520,578	$ 567,679
Net book value			
December 31, 2022	$ 3,141	$ 728,809	$ 731,950
December 31, 2023	**-**	**$ 520,578**	**$ 520,578**

12. INVESTMENT PROPERTY

	2023	2022
Balance, beginning of the year	**$ 490,000**	$ 470,000
Increase in fair value	-	20,000
Balance, end of the year	**$ 490,000**	$ 490,000

Rental income and related expenses were recognized through comprehensive income.

13. PENSION PLANS

The amount contributed to the defined benefit plan for 2023 was $126,976 (2022 - $118,497). The contributions were made for current service and these have been recognized in comprehensive income. The current service amount is determined by the plan actuary using the projected accrued benefit actuarial cost method. The Company had a 2.30% (2022 - 2.30%) share of the total contributions to the plan in 2023.

Expected contributions to the plan for the next annual reporting period amount to $135,259.

The defined benefit plan has been closed to future eligible employees effective July 1, 2013. Future eligible employees will become part of a defined contribution plan. The amount contributed to the defined contribution plan for 2023 was $24,257 (2022 - $24,193).

14. RELATED PARTY TRANSACTIONS

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

	2023	2022
Compensation		
Short-term employee benefits and directors' fees	**$ 773,048**	$ 762,797
Pension and other post-employment benefits	**67,815**	70,522
	$ 840,863	$ 833,319
Premiums written	**$ 43,320**	$ 45,082
Claims paid	**$ 18,054**	-

Amounts owing from key management personnel as at December 31, 2023 is $5,074 (2022 - $2,595). The transactions were in the normal course of business. These amounts are included in insurance contract liabilities on the Statement of Financial Position.

15. CAPITAL MANAGEMENT

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

The Company's objectives with respect to capital management are to ensure adequate funding is available to pay policyholder claims and 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 a Company's capital against the risk profile of the organization. The

15. CAPITAL MANAGEMENT (Continued)

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.

The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement or if deemed necessary.

16. STRUCTURED SETTLEMENTS, FIRE MUTUALS GUARANTEE FUND AND FINANCIAL GUARANTEE CONTRACTS

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

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

The Company is a member of the Farm Mutual Reinsurance Plan Inc. (the Plan), which is a general reinsurer that shares in the insurance risks originally accepted by the member insurance companies. As a member of the Plan, the Company may be required to contribute additional capital to the Plan in the form of subordinated debt should the Plan's capital fall below a prescribed minimum.

These are recorded in accordance with IFRS 9 – *Financial Instruments.*

These exposures represent financial guarantee contracts.