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INSURANCE COMPANY

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

	Page
Management Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
Financial Statements	
Financial Position	4
Statement of Comprehensive Income	5
Statement of Policyholders' Equity	6
Statement of Cash Flows	7
Explanatory Financial Notes	
Identification and Activities	8
Summary of Significant Accounting Policies	8
Accounting Estimates and Judgements	16
Insurance Financial Risk Management	18
Insurance Service Expense	28
Insurance and Reinsurance Contracts	29
Financial Instrument Classification	33
Investment Information	33
Investments	34
Investment Income	36
Income Taxes	36
Property, Plant and Equipment and Intangible Assets	37
Related Party Transactions	38
Insurance Revenue	38
Salaries, Benefits and Directors Fees	38
Pension Plan	39
Capital Management	39



MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2024

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

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

The annual financial statements are reviewed and approved by the Audit Committee and the Board of Directors. In addition, the Audit Committee meets periodically with financial officers of Edge Mutual Insurance Company and the external auditors, and reports to the Board of Directors thereon.

The accompanying financial statements have been audited by Graham Mathew Professional Corporation, authorized to practise public accounting by the Chartered Professional Accountants of Ontario, who are engaged by the Board of Directors and whose appointment was ratified at the annual meeting of the policyholders. The auditors have access to the Audit Committee, without management present, to discuss the results of their work. Their report dated January 31, 2025 expresses their unmodified opinion on the Company's 2024 financial statements.

A handwritten signature in black ink that reads "Carlos Rodrigues".

Carlos Rodrigues, MBA, CPA, CMA, FCIP
President/CEO

A handwritten signature in black ink that reads "Mike Fortuna".

Mike Fortuna
Treasurer/CFO

INDEPENDENT AUDITORS' REPORT

To the Policyholders of
Edge Mutual Insurance Company

Opinion

We have audited the accompanying financial statements of **Edge Mutual Insurance Company** (the Company), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income, policyholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

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



Cambridge, Ontario
January 31, 2025

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

**FINANCIAL POSITION
DECEMBER 31, 2024**

	2024	2023
	\$	\$
ASSETS		
Cash and cash equivalents	13,767,491	13,119,412
Reinsurance contract asset (note 4)	1,666,966	1,476,909
Other assets	235,944	206,845
Current assets	15,670,401	14,803,166
Investments and accrued interest (notes 8 and 9)	61,187,510	50,991,305
Property, plant and equipment and intangible assets (note 12)	2,765,438	2,891,290
	79,623,349	68,685,761
LIABILITIES		
Accounts payable and accrued liabilities	3,246,431	2,327,173
Income taxes payable	845,102	1,705,533
Deferred income taxes	490,800	686,000
Current liabilities	4,582,333	4,718,706
Liability for remaining coverage	6,015,804	5,242,539
Liability for incurred claims (note 4)	19,331,302	17,108,403
Total insurance contract liabilities	25,347,106	22,350,942
Total liabilities	29,929,439	27,069,648
POLICYHOLDERS' EQUITY		
Policyholders' equity (page 6)	49,693,910	41,616,113
	79,623,349	68,685,761

APPROVED BY THE BOARD:



Richard Wright, Chair



Jan Dadson, First Vice-Chair



**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2024**

	2024	2023
	\$	\$
Insurance revenue (note 14)	58,667,633	49,265,578
Insurance service expenses (note 5)	40,979,664	33,837,577
Insurance service result before reinsurance	17,687,969	15,428,001
Net expense from reinsurance contracts	(9,268,348)	(8,529,866)
Insurance service result	8,419,621	6,898,135
Investment income (note 10)	4,559,813	3,187,699
Finance expense for insurance contracts issued	(1,042,794)	(1,066,294)
Finance income for reinsurance contracts held	83,988	162,747
Net insurance financial result	12,020,628	9,182,287
Other expenses (note 5)	(1,226,156)	(1,297,631)
Net income before income taxes	10,794,472	7,884,656
Income tax recovery (expense)		
Current (note 11)	(2,748,675)	(1,903,533)
Deferred	32,000	20,000
	(2,716,675)	(1,883,533)
Net income, being total comprehensive income for year	8,077,797	6,001,123

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



STATEMENT OF POLICYHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2024

	2024	2023
	\$	\$
Balance at beginning of year	41,616,113	35,614,990
Net income, being total comprehensive income for year	8,077,797	6,001,123
Balance at end of year	49,693,910	41,616,113

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

	2024	2023
	\$	\$
Cash flows from operating activities:		
Net income, being total comprehensive income for year	8,077,797	6,001,123
Items not involving cash:		
Amortization of bond discounts	(2,132)	(2,143)
Depreciation and amortization	291,194	377,720
Deferred income taxes	(32,000)	(20,000)
Gain on disposal of investments	(453,136)	(286,997)
Unrealized gains on investments	(1,807,894)	(1,060,224)
	6,073,829	5,009,479
Net change in non-cash working capital balances relating to operations:		
Reinsurance contract assets	(190,057)	4,645,182
Other assets	(29,099)	(32,036)
Accounts payable and accrued liabilities	919,258	399,624
Income taxes payable	(860,431)	2,998,535
Liability for remaining coverage	773,265	353,585
Liability for incurred claims	2,222,899	(6,648,068)
Taxes paid - IFRS 17 transition	(163,200)	
	8,746,464	6,726,301
Cash flows from investment activities:		
Sale of investments	6,841,386	3,280,611
Purchase of investments	(14,804,738)	(11,250,112)
Net additions to property plant and equipment and intangible assets	(135,033)	(107,090)
	(8,098,385)	(8,076,591)
Net increase (decrease) in cash	648,079	(1,350,290)
Cash position, beginning of year	13,119,412	14,469,702
Cash position, end of year (note 7)	13,767,491	13,119,412

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

1. Identification and Activities

Edge 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 103 Wellington Street South, Drayton, Ontario.

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

These financial statements have been authorized for issue by the Board of Directors on January 31, 2025.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

IFRS 17 Insurance contracts

(i) *Classification and measurement*

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

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

The measurement principles of the PAA are as follows:

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

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

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

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of presentation (continued)

IFRS 17 Insurance contracts (continued)

(ii) *Presentation and disclosure*

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

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

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

(b) Insurance and reinsurance contracts accounting treatment

(i) *Insurance and reinsurance contracts accounting classification*

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

(ii) *Separating components from insurance and reinsurance contracts*

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

(iii) *Levels of aggregation*

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

2. Significant Accounting Policies (Continued)

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

(iii) *Levels of aggregation (continued)*

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

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

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

(iv) *Recognition*

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

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

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

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

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

2. Significant Accounting Policies (Continued)

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

(v) *Contract boundary*

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

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

(vi) *Insurance contracts – initial measurement*

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

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

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

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

(vii) *Reinsurance contracts held – initial measurement*

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

2. Significant Accounting Policies (Continued)

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

(viii) Insurance contracts – subsequent measurement

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

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

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

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

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

(ix) Reinsurance contracts – subsequent measurement

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

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

(x) Insurance acquisition cash flows

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

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

2. Significant Accounting Policies (Continued)

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

(xi) *Insurance contracts – modification and derecognition*

The Company derecognizes insurance contracts when:

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

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

(xii) *Presentation*

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

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

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

(xiii) *Insurance revenue*

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

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

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

(xiv) *Loss components*

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

2. Significant Accounting Policies (Continued)

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

(xv) Loss-recovery components

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

(xvi) Insurance finance income and expense

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

(xvii) Net income or expense from reinsurance contracts held

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

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

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

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

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

(d) Financial instruments

The Company measures its financial assets at fair value through profit or loss (FVTPL) or amortized cost.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost include certain amounts receivable, guaranteed investment certificates and bonds, and are measured initially at fair value plus directly attributable transaction costs.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

2. Significant Accounting Policies (Continued)

(d) Financial instruments (continued)

All other financial assets not meeting the criteria described above to be measured at amortized cost are measured at FVTPL. Financial assets measured at FVTPL are initially measured at fair value with directly attributable transaction costs recognized in profit or loss.

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

(e) Impairment of financial instruments

The Company is required to recognize loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

The credit risk for amounts receivable and investments is determined to be low, therefore the Company measures the loss allowance as the portion of ECLs that result from default events that are possible within the twelve months after the reporting date.

The Company has determined that there are no material twelve-month ECLs on its guaranteed investment certificates or bonds, therefore no loss allowance is recorded for these investments.

(f) Facility Association

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

(g) Income taxes

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

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

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

(h) Pension plan

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

3. Accounting Estimates and Judgements

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

(i) Insurance contracts

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

(a) Liability for remaining coverage

(i) Onerous groups

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

(ii) Time value of money

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

(b) Liability for incurred claims

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

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

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

3. Accounting Estimates and Judgements (Continued)

(i) Insurance contracts (continued)

(b) Liability for incurred claims (continued)

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

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

(c) Discount rates

Insurance contract liabilities and reinsurance contract assets are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid sovereign securities as published by Fiera Capital Corporation. 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	
	2024	2023	2024	2023	2024	2023	2024	2023
Insurance Contract Liabilities	3.06	4.52	3.01	3.70	3.20	3.53	3.84	3.77
Reinsurance Contract Assets	3.06	4.52	3.01	3.70	3.20	3.53	3.84	3.77

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

(d) Risk adjustment for non-financial risk

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 71st 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 71st percentile level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

4. Insurance Financial Risk Management

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

(a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

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

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

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

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

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

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of \$1,000,000 in the event of a property claim, an amount of \$1,000,000 in the event of an automobile claim and \$1,000,000 in the event of a liability claim. The Company also obtained reinsurance, which limits the Company's liability to \$1,575,000 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 net earned premiums.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

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

	December 31, 2024			December 31, 2023		
	Gross Claims \$	Reinsurance Of Claims \$	Net Claims \$	Gross Claims \$	Reinsurance Of Claims \$	Net Claims \$
Property	3,436,643	767,488	2,669,155	3,779,124	1,288,284	2,490,840
Liability	6,513,723	261,022	6,252,701	5,161,432	9,727	5,151,705
Automobile	9,380,936	638,456	8,742,480	8,167,847	178,898	7,988,949
	19,331,302	1,666,966	17,664,336	17,108,403	1,476,909	15,631,494

(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.

	Change in assumptions	2024			
		Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity, gross of reinsurance	Impact on equity, net of reinsurance
Expected loss	+ 5 %	(594,000)	(544,000)	(437,000)	(400,000)
Inflation rate	+ 1 %	(361,000)	(320,000)	(265,000)	(235,000)
Expected loss	- 5 %	594,000	544,000	437,000	400,000
Inflation rate	- 1 %	361,000	320,000	265,000	235,000

	Change in assumptions	2023			
		Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity, gross of reinsurance	Impact on equity, net of reinsurance
Expected loss	+ 5 %	(510,000)	(453,000)	(375,000)	(333,000)
Inflation rate	+ 3 %	(863,000)	(753,000)	(634,000)	(553,000)
Expected loss	- 5 %	510,000	453,000	375,000	333,000
Inflation rate	- 3 %	863,000	753,000	634,000	553,000

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) *Claims development*

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

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

	Note	2024			2023		
		Estimates of the PVFCF	Risk adjustment	Total	Estimates of the PVFCF	Risk adjustment	Total
Total gross liabilities for incurred claims	6(a)	18,229,939	1,101,363	19,331,302	16,553,857	554,546	17,108,403
Amounts recoverable from reinsurance	6(b)	1,567,088	99,878	1,666,966	1,434,347	42,562	1,476,909
Total net liabilities for incurred claims		16,662,851	1,001,485	17,664,336	15,119,510	511,984	15,631,494

* PVFCF refers to present value of future cash flows

EXPLANATORY FINANCIAL NOTES

YEAR ENDED DECEMBER 31, 2024

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of insured event year	15,701,144	15,953,391	17,069,682	22,869,218	17,286,713	10,160,202	16,162,553	22,700,077	18,298,310	20,564,851	
One year later	14,917,550	13,238,642	17,167,493	22,590,445	20,488,350	10,099,108	16,597,937	24,242,148	18,303,381		
Two years later	11,368,062	14,740,166	17,154,999	24,449,768	21,093,009	10,130,768	16,455,729	25,052,642			
Three years later	9,692,225	14,736,773	17,096,327	23,286,754	22,149,469	9,917,625	17,358,772				
Four years later	9,748,597	14,652,271	17,523,909	22,851,189	21,459,508	10,784,470					
Five years later	9,595,369	13,134,638	16,705,768	21,285,804	20,003,763						
Six years later	9,554,160	13,330,007	16,915,893	21,075,116							
Seven years later	9,537,401	13,377,562	17,147,249								
Eight years later	9,534,808	13,272,198									
Nine years later	9,534,809										
Gross estimates of the undiscounted amount of the claims	9,534,809	13,272,198	17,147,249	21,075,116	20,003,763	10,784,470	17,358,772	25,052,642	18,303,381	20,564,851	173,097,251
End of insured event year	7,175,121	6,762,470	10,501,778	13,074,512	9,822,966	5,802,095	8,337,685	11,285,578	11,306,011	12,856,099	96,924,315
One year later	1,755,612	2,403,655	2,748,177	4,900,539	5,116,657	2,163,643	5,099,659	8,148,815	3,752,684		36,089,441
Two years later	156,129	983,484	574,019	769,462	2,270,492	84,896	809,085	1,841,830			7,489,397
Three years later	304,547	891,459	648,731	1,412,660	836,377	172,969	688,041				4,954,784
Four years later	109,349	1,106,489	207,325 (180,076)	1,428,460	39,650					2,711,197
Five years later	31,113	389,934	1,701,056	1,082,709	301,805						3,506,617
Six years later	5,072	54,605	292,641 (36,435)							315,883
Seven years later	(11,965)	752,210	31,398								771,643
Eight years later	9,831 (81,647)									(71,816)
Nine years later											
Cumulative payments to date	9,534,809	13,262,659	16,705,125	21,023,371	19,776,757	8,263,253	14,934,470	21,276,223	15,058,695	12,856,099	152,691,461
Gross undiscounted liabilities for insured claims	NIL	9,539	442,124	51,745	227,006	2,521,217	2,424,302	3,776,419	3,244,686	7,708,752	20,405,790
Outstanding claims 2014 and prior											NIL
Effect of discounting											(1,095,000)
Other attributable expenses											20,512
Total gross liabilities for incurred claims											19,331,302

EXPLANATORY FINANCIAL NOTES

YEAR ENDED DECEMBER 31, 2024

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of insured event year	11,495,793	12,117,479	14,316,448	17,905,612	13,959,350	9,602,518	15,185,007	17,140,734	17,721,215	20,165,018	
One year later	11,323,685	11,579,756	14,561,431	17,518,250	16,447,879	9,484,180	15,604,696	20,128,739	17,487,346		
Two years later	10,205,497	12,782,602	14,550,594	18,508,497	17,005,201	9,631,069	15,689,853	20,935,806			
Three years later	9,350,670	12,712,244	14,598,755	18,245,495	17,505,583	9,667,182	16,594,842				
Four years later	9,267,780	13,067,775	14,935,091	18,083,134	17,309,950	10,190,722					
Five years later	9,114,553	12,046,104	14,009,372	16,885,692	15,961,395						
Six years later	9,073,344	12,089,898	14,215,397	16,726,053							
Seven years later	9,056,585	12,200,287	14,363,879								
Eight years later	9,053,993	12,090,924									
Nine years later	9,053,993										
Net estimates of the undiscounted amount of the net claims	9,053,993	12,090,924	14,363,879	16,726,053	15,961,395	10,190,722	16,594,842	20,935,806	17,487,346	20,165,018	153,569,978
End of insured event year	6,835,826	6,274,545	9,441,509	10,791,512	9,125,233	5,802,095	8,158,977	8,986,172	11,306,009	12,856,099	89,577,977
One year later	1,614,092	1,916,694	2,472,890	2,942,070	3,680,422	2,141,202	4,758,414	6,847,924	3,397,351		29,771,059
Two years later	156,129	983,484	435,115	631,899	1,297,453	84,896	652,108	1,421,165			5,662,249
Three years later	304,547	891,459	664,811	1,243,318	312,630	180,260	688,038				4,285,063
Four years later	109,349	994,248	(428,662)	(22,742)	1,097,573	39,650					1,789,416
Five years later	31,113	388,429	1,102,913	1,082,393	299,133						2,903,981
Six years later	5,072	54,605	284,655	5,859							350,191
Seven years later	(11,965)	663,567	30,434								682,036
Eight years later	9,830	(81,648)									(71,818)
Nine years later											
Cumulative payments to date	9,053,993	12,085,383	14,003,665	16,674,309	15,812,444	8,248,103	14,257,537	17,255,261	14,703,360	12,856,099	134,950,154
Net undiscounted liabilities for insured claims	NIL	5,541	360,214	51,744	148,951	1,942,619	2,337,305	3,680,545	2,783,986	7,308,919	18,619,824
Outstanding claims 2014 and prior											NIL
Effect of discounting											(976,000)
Other attributable expenses											20,512
Total net liabilities for incurred claims											17,664,336

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management

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

Credit risk

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

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits and corporate sector limits. The bond portfolio remains very high quality with 97% of the bonds rated A or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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

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

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

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

	2024			Total
	A or better	Less than A	Not rated	
Insurance contract assets	41,527,134	582,385	750,000	42,859,519
Reinsurance contract assets		1,666,966		1,666,966
	41,527,134	2,249,351	750,000	44,526,485
	2023			Total
	A or better	Less than A	Not rated	
Insurance contract assets	29,821,592	514,978	750,000	31,086,570
Reinsurance contract assets		1,476,909		1,476,909
	29,821,592	1,991,887	750,000	32,563,479

Concentrations of credit risk

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Liquidity risk

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

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

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

	2024		
	Short-term	Long-term	Total
Insurance Assets			
Reinsurance contract assets	416,741	1,250,225	1,666,966
Financial Assets			
Cash and cash equivalents	13,767,491		13,767,491
Investments	3,074,312	32,488,058	35,562,370
	16,841,803	32,488,058	49,329,861
Insurance Contract Liabilities			
Liability for incurred claims	9,317,689	10,013,613	19,331,302
Liability for remaining coverage	6,015,804		6,015,804
	15,333,493	10,013,613	25,347,106
Financial liabilities			
Accounts payable and accrued liabilities	3,246,431		3,246,431
Deferred tax liability	163,000	327,800	490,800
Income taxes payable	845,102		845,102
	4,254,533	327,800	4,582,333
Net liquidity gap	(2,329,482)	23,396,870	21,067,388

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Liquidity risk (continued)

	2023		
	Short-term	Long-term	Total
Insurance Assets			
Reinsurance contract assets	382,902	1,094,007	1,476,909
Financial Assets			
Cash and cash equivalents	13,119,412		13,119,412
Investments	5,554,344	22,911,315	28,465,659
	18,673,756	22,911,315	41,585,071
Insurance Contract Liabilities			
Liability for incurred claims	8,240,308	8,868,095	17,108,403
Liability for remaining coverage	5,242,539		5,242,539
	13,482,847	8,868,095	22,350,942
Financial liabilities			
Accounts payable and accrued liabilities	2,327,173		2,327,173
Deferred taxes liability	163,000	523,000	686,000
Income taxes payable	1,705,533		1,705,533
	4,195,706	523,000	4,718,706
Net liquidity gap	1,378,105	14,614,227	15,992,332

Market risk

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

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

(i) *Interest rate risk*

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

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

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(i) *Interest rate risk (continued)*

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

The objectives, policies and procedures for managing interest rate risk are to diversify the bond and guaranteed investment portfolio in such a way that this portfolio is laddered over a period of five years. This protects the Company from fluctuations in interest rates.

Had prevailing interest rates of the bond funds increased or decreased by 1.0%, assuming a parallel shift in the yield curve and all other variables held constant, the market value of the fixed income holdings would have decreased or increased by approximately 6.3%. The fixed income holdings' sensitivity to interest rate fluctuations was estimated using the weighted average duration of the fixed income holdings. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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

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

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

		2024		2023	
	Change in interest rate	Effect on Net profit	Effect on Equity	Effect on Net profit	Effect on Equity
Debt Instruments	+100 bps	(459,721)	(337,895)	(427,816)	(314,445)
Debt Instruments	- 100 bps	459,721	337,895	427,816	314,445

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(ii) *Price risk*

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

The company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index and U.S. stocks, with fair values that move with the S&P 500 Index. A 10% movement in the Canadian stock markets, with all other variables held constant, would have an estimated effect on the fair values of the company's Canadian common stocks of approximately \$1,487,600. A 10% movement in the U.S. stock markets, with all other variables held constant, would have an estimated effect on the fair values of the company's U.S. stocks of approximately \$247,300. These changes would be recognized in the statement of comprehensive income.

There have been no significant changes from the previous period in the exposure to risk, nor any changes to the investment policies, procedures and processes for managing price risk.

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

(iii) *Foreign currency risk*

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

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

The Company's foreign exchange risk is related to its stock holdings. The Company limits its holdings in foreign equity to 30% of investments in accordance with its investment policy. A 1% change in the value of the United States dollar would affect the fair value of stocks and cash by approximately \$24,700, which would be reflected in the statement of comprehensive income.

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



EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024

5. Insurance Service Expense

	2024	2023
Claims and benefits	24,820,186	20,503,787
Salaries, employee benefits and directors' fees	3,821,349	3,382,977
Professional fees (other than legal)	115,735	72,468
Legal fees	6,487	
Commissions	10,473,532	8,900,780
Depreciation and amortization	242,732	303,422
Occupancy expenses (including rent, leasing and maintenance)	162,150	151,303
Information technology	895,403	920,085
Inspections	504,117	349,130
Other general expenses	1,164,129	551,256
Total	42,205,820	35,135,208
 Represented by:		
Insurance service expenses	40,979,664	33,837,577
General and operating expenses	1,226,156	1,297,631
Total	42,205,820	35,135,208

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024

6. Insurance and Reinsurance Contracts

(a) Roll forward of net liability for insurance contracts

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

	2024				Total
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	
Insurance contract liabilities, beginning of year	5,080,121	162,418	16,553,857	554,546	22,350,942
Insurance revenue	(58,667,633)				(58,667,633)
Insurance service expenses					
Incurred claims and other directly attributable expenses			26,110,221	578,513	26,688,734
Insurance acquisition cash flows amortization	16,159,479				16,159,479
Losses on onerous contracts and reversals of those losses		(162,418)			(162,418)
Changes that relate to past service – adjustments to the liability for incurred claims			(1,674,434)	(31,696)	(1,706,130)
Insurance service result	(42,508,154)	(162,418)	24,435,787	546,817	(17,687,968)
Insurance finance expenses			1,042,794		1,042,794
Total changes in the statement of comprehensive income	(42,508,154)	(162,418)	25,478,581	546,817	(16,645,174)
Cash flows					
Premiums received	60,708,266				60,708,266
Claims and other directly attributable expenses paid			(23,802,499)		(23,802,499)
Insurance acquisition cash flows	(17,264,429)				(17,264,429)
Total cash flows	43,443,837		(23,802,499)		19,641,338
Insurance contract liabilities, end of year	6,015,804		18,229,939	1,101,363	25,347,106

* PVFCF refers to present value of future cash flows

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024

6. Insurance and Reinsurance Contracts (Continued)

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

	2023				Total
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	
Insurance contract liabilities, beginning of year	4,883,285		23,136,992	625,146	28,645,423
Insurance revenue	(49,265,578)				(49,265,578)
Insurance service expenses					
Incurred claims and other directly attributable expenses			36,438,075	304,623	36,742,698
Insurance acquisition cash flows amortization	13,333,789				13,333,789
Losses on onerous contracts and reversals of those losses		162,418			162,418
Changes that relate to past service – adjustments to the liability for incurred claims			(16,026,104)	(375,223)	(16,401,327)
Insurance service result	(35,931,789)	162,418	20,411,971	(70,600)	(15,428,000)
Insurance finance expenses			1,066,294		1,066,294
Total changes in the statement of comprehensive income	(35,931,789)	162,418	21,478,265	(70,600)	(14,361,706)
Cash flows					
Premiums received	50,597,102				50,597,102
Claims and other directly attributable expenses paid			(28,061,400)		(28,061,400)
Insurance acquisition cash flows	(14,468,477)				(14,468,477)
Total cash flows	36,128,625		(28,061,400)		8,067,225
Insurance contract liabilities, end of year	5,080,121	162,418	16,553,857	554,546	22,350,942

*PVFCF refers to present value of future cash flows

EXPLANATORY FINANCIAL NOTES

YEAR ENDED DECEMBER 31, 2024

6. Insurance and Reinsurance Contracts (Continued)
(b) Reinsurance contracts

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

	2024			
	Assets for remaining coverage	Assets recoverable on incurred claims		Total
Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	
Net reinsurance contract assets, beginning of year		1,434,347	42,562	1,476,909
Allocation of reinsurance premiums	(10,343,442)			(10,343,442)
Amounts recoverable from reinsurers for incurred claims		944,451	61,996	1,006,447
Amounts recoverable for claims and other expenses		73,326	(4,680)	68,646
Net income (expenses) from reinsurance contracts held	(10,343,442)	1,017,777	57,316	(9,268,349)
Reinsurance finance income		83,988		83,988
Total changes in the statement of comprehensive income	(10,343,442)	1,101,765	57,316	(9,184,361)
Cash flows				
Premiums paid net of ceding commissions and other directly attributable expenses paid	9,998,442			9,998,442
Amounts received		(624,024)		(624,024)
Total cash flows	9,998,442	(624,024)		9,374,418
Reinsurance contract assets (liabilities), end of year	(345,000)	1,912,088	99,878	1,666,966

* PVFCF refers to present value of future cash flows

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024

6. Insurance and Reinsurance Contracts (Continued)

(b) Reinsurance contracts (continued)

	2023				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Net reinsurance contract assets, beginning of year			5,950,033	172,058	6,122,091
An allocation of reinsurance premiums	(7,008,746)				(7,008,746)
Amounts recoverable from reinsurers for incurred claims			2,196,623	1,256	2,197,879
Amounts recoverable for claims and other expenses			(3,588,247)	(130,752)	(3,718,999)
Changes to amounts recoverable for incurred claims					
Net expenses from reinsurance contracts held	(7,008,746)		(1,391,624)	(129,496)	(8,529,866)
Reinsurance finance income			162,747		162,747
Total changes in the statement of comprehensive income	(7,008,746)		(1,228,877)	(129,496)	(8,367,119)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	7,008,746				7,008,746
Amounts received			(3,286,809)		(3,286,809)
Total cash flows	7,008,746		(3,286,809)		3,721,937
Net reinsurance contract assets, end of year			1,434,347	42,562	1,476,909

* PVFCF refers to present value of future cash flows

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

7. Financial Instrument Classification

The carrying amount of the Company's financial instruments by classification is as follows:

	Fair value through profit and loss \$	Amortized cost \$	Total \$
December 31, 2024			
Cash	13,767,491		13,767,491
Investments (note 8)	25,625,140	35,562,370	61,187,510
Amounts payable		(3,246,431)	(3,246,431)
	39,392,631	32,315,939	71,708,570

	Fair value through profit and loss \$	Amortized Cost \$	Total \$
December 31, 2023			
Cash	13,119,412		13,119,412
Investments (note 8)	22,953,473	28,037,832	50,991,305
Amounts payable		(2,327,173)	(2,327,173)
	36,072,885	25,710,659	61,783,544

8. Investment Information

The carrying value of investments as at December 31 is as follows:

	2024 \$	2023 \$
Bonds (at cost)	4,534,371	1,245,662
Guaranteed investment certificates and Fire Mutual guarantee fund	31,102,650	26,854,653
Equities	8,675,764	7,851,611
Mutual funds	16,364,430	14,674,036
Accrued interest	510,295	365,343
	61,187,510	50,991,305

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

9. Investments

The following table provides cost and fair value information of investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as shown below.

	2024		2023	
	Cost \$	Fair Value \$	Cost \$	Fair Value \$
Guaranteed Investment Certificates	31,028,000	31,028,000	26,792,000	26,792,000
Bonds issued by Corporate A or better	4,534,371	4,640,683	1,245,662	1,179,677
Equity investments				
Canadian	4,370,366	5,808,703	3,914,240	5,192,337
United States	1,537,904	2,472,814	1,770,131	2,265,027
	5,908,270	8,281,517	5,684,371	7,457,364
Industrial Alliance investments				
Canadian fixed income	8,479,304	7,297,151	8,049,823	6,790,737
Canadian and United States equities	6,627,540	9,067,279	6,574,269	7,883,299
	15,106,844	16,364,430	14,624,092	14,674,036
Other investments				
Fire Mutual guarantee fund	74,650	74,650	62,653	62,653
Other	250,000	394,247	250,000	394,247
	324,650	468,897	312,653	456,900
Accrued interest	510,295	510,295	365,343	365,343
	57,412,430	61,293,822	49,024,121	50,925,320

The Company has determined that there are no material twelve-month expected credit losses on investments measured at amortized cost, therefore no loss allowance has been recorded.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

9. Investments (Continued)

Maturity profile of bonds, debentures and guaranteed investment certificates held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Cost
December 31, 2024	8,074,328	27,562,693			35,637,021
Percent of Total	23 %	77 %			
December 31, 2023	5,251,653	22,848,662			28,100,315
Percent of Total	19 %	81 %			

The effective investment yield for the year is 7.45% (6.15% for 2023).

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

On December 31, 2024 the company held only Level 1 and 2 investments.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
December 31, 2024				
Equities	8,281,517			8,281,517
Mutual funds	16,364,430			16,364,430
Other investments		468,897		468,897
Total investments measured at fair value	24,645,947	468,897	NIL	25,114,844

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
December 31, 2023				
Equities	7,457,364			7,457,364
Mutual funds	14,674,036			14,674,036
Other investments		456,900		456,900
Total investments measured at fair value	22,131,400	456,900	NIL	22,588,300

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2024 and 2023.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

10. Investment Income

	Fair value through profit and loss \$	Amortized cost \$	Other \$	2024 Total \$
Interest income		1,796,437		1,796,437
Dividend and other income	619,014			619,014
Investment expense	(116,668)			(116,668)
Net realized gains	453,136			453,136
Unrealized gains	1,807,894			1,807,894
	2,763,376	1,796,437	NIL	4,559,813

	Fair value through profit and loss \$	Amortized cost \$	Other \$	2023 Total \$
Interest income		1,353,898		1,353,898
Dividend and other income	593,672			593,672
Investment expense	(107,092)			(107,092)
Net realized gains	286,997			286,997
Unrealized gains	1,060,224			1,060,224
	1,833,801	1,353,898	NIL	3,187,699

11. Income Taxes

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

	2024 \$	2023 \$
Income before income taxes	10,794,472	7,884,656
Expected taxes based on the statutory rate of 26.5% (26.5% in 2023)	2,860,535	2,089,434
Claims reserves timing differences	27,130	(35,529)
Other non deductible expenses	3,632	1,195
Difference between depreciation and capital cost allowance	20,138	25,838
Other non taxable income	(144,727)	(139,895)
Effect of small business deduction	(18,033)	(37,510)
Total income tax expense	2,748,675	1,903,533

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

12. Property, Plant and Equipment and Intangible Assets

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

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

		2024		
	Depreciation rate	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Land		110,000		110,000
Buildings	5%	4,181,277	1,855,861	2,325,416
Sign	20%	53,020	50,106	2,914
Computer hardware	3 years	522,527	495,420	27,107
Furniture and fixtures	20%	554,956	485,082	69,874
Vehicles	40-50%	149,533	54,427	95,106
Computer software	5 years	1,750,904	1,615,883	135,021
		7,322,217	4,556,779	2,765,438

		2023		
	Depreciation rate	Cost	Accumulated Depreciation	Net Book Value
Land		110,000		110,000
Buildings	5%	4,181,277	1,733,471	2,447,806
Sign	20%	53,020	49,377	3,643
Computer hardware	3 years	490,629	465,998	24,631
Furniture and fixtures	20%	554,956	467,613	87,343
Vehicles	40-50%	71,282	58,145	13,137
Computer software	5 years	1,726,020	1,521,290	204,730
		7,187,184	4,295,894	2,891,290

The unamortized cost of property, plant and equipment and intangible assets available to reduce net income for income tax purposes amounts to approximately \$2,254,000 (\$2,349,000 in 2023).

EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024

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, management and their family members.

	2024	2023
	\$	\$
Compensation		
Salaries, benefits and director's fees	612,160	590,589
Total pension and other post-employment benefits	20,655	21,732
	632,815	612,321
Premiums	227,257	228,170
Claims paid	10,130	2,168

There were no amounts owing to or from key management personnel at December 31, 2024.

14. Insurance Revenue

Gross premiums written	63,393,801	51,541,565
Increase unearned premiums	(5,621,665)	(3,068,070)
Service fees & bad debts	895,497	792,083
	58,667,633	49,265,578

15. Salaries, Benefits and Directors' Fees

Underwriter salaries and benefits	2,569,820	2,068,527
Commissions	10,473,532	8,900,780
Other salaries, benefits and directors' fees	2,014,463	2,113,232
	15,057,815	13,082,539

Included in claims expenses were salary and benefit costs of \$740,528 (\$798,784 in 2023).

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2024**

16. Pension Plan

The Company makes contributions on behalf of its employees to "the Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies", which is a multi-employer plan. Eligible employees participate in the defined benefit plan. 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 Company matches the employee contributions and funds the excess defined benefit based on the Company's percentage of pensionable earnings as calculated by the Pension Plan actuaries. The Pension Plan agreement states that the Company is responsible for its share of any deficit as a result of any actuarial valuation or cost certificate. In the event of a wind-up, voluntary withdrawal or bankruptcy, either by the Company or the group as a whole, the Company is responsible for its portion of all expenses and deficit related to such.

During 2024, the amount contributed to the plan for current service was \$370,475 (\$354,399 in 2023). These amounts have been recognized in comprehensive income. The Company had a 2.10% share of the total contributions to the Plan in 2024. The expected normal contribution to the Plan for 2025 is approximately \$457,000.

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

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

17. Capital Management

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

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators generally expect property and casualty companies to comply with capital adequacy requirements. This test compares a Company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors. The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and if deemed necessary. The MCT for the company was 451% at December 31, 2024 (439% at December 31, 2023).

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