WEST WAWANOSH
MUTUAL INSURANCE COMPANY

Financial Statements

For the Year Ended December 31, 2022

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Seebach & Company

Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

To the policyholders of
West Wawanosh Mutual Insurance Company

Opinion

We have audited the accompanying financial statements of West Wawanosh Mutual Insurance Company ("the Company"),which are comprised of the statement of financial position as at December 31, 2022 and the statements of comprehensive income, policyholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2022, 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 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 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.

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 the 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.

Seebach & Company

Chartered Professional Accountants,
Authorized to practice public accounting by the Chartered Professional Accountants of Ontario
Licensed Public Accountants
Clinton, Ontario
January 26, 2023

West Wawanosh Mutual Insurance Company

Statement of Financial Position

December 31, 2022

	2022	2021
Assets		
Cash	**$ 3,131,865**	$ 5,275,491
Investments (Note 5)	**45,503,024**	42,025,752
Investment income accrued	**144,381**	50,789
Due from reinsurer (Note 4)	**24,471**	2,718
Due from policyholders	**6,398,186**	6,001,558
Receivable from Facility Association	**352,879**	338,816
Prepaid expenses	**115,604**	40,114
Reinsurer's share of unpaid claims (Note 4)	**5,510,357**	6,165,835
Deferred policy acquisition expenses (Note 4)	**2,407,344**	2,298,823
Income taxes receivable	**487,836**	463,917
Deferred income taxes (Note 11)	**75,800**	67,800
Property and equipment (Note 13)	**3,692,061**	3,851,253
Intangible assets (Note 13)	**56,000**	112,000
	$ 67,899,808	$ 66,694,866
Liabilities		
Accounts payable and accrued liabilities	**$ 1,253,767**	$ 1,119,655
Unearned premiums (Note 4)	**12,734,360**	12,075,620
Unpaid claims and adjustment expenses (Note 4)	**16,637,275**	16,209,795
Due to reinsurer	**268,267**	266,064
Due to Facility Association	**412,938**	384,955
	31,306,607	30,056,089
Policyholders' Equity	**36,593,201**	36,638,777
	$ 67,899,808	$ 66,694,866

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board by:

Lloyd McGee Director

Stephen Raber Director

WEST WAWANOSH MUTUAL INSURANCE COMPANY

West Wawanosh Mutual Insurance Company

Statement of Comprehensive Income

For the Year Ended December 31, 2022

	2022	2021
Underwriting income		
Gross premiums written	**$ 25,130,443**	$ 23,818,528
Less reinsurance ceded	**(3,817,245)**	(3,462,474)
Net premiums written	**21,313,198**	20,356,054
Less increase in unearned premiums	**(658,740)**	(731,340)
Net premiums earned	**20,654,458**	19,624,714
Service charges	**148,665**	134,235
	20,803,123	19,758,949
Direct losses incurred		
Gross claims and adjustment expenses	**11,684,830**	15,567,945
Less Reinsurer's share of claims and adjustment expenses	**(681,050)**	(3,224,081)
	11,003,780	12,343,864
	9,799,343	7,415,085
Expenses		
Fees, commissions and other acquisition expenses (Note 8)	**5,043,266**	4,617,531
Salaries, benefits and directors' fees (Note 10)	**1,390,615**	1,523,663
Other operating and administrative expenses (Note 9)	**1,560,529**	1,547,803
	7,994,410	7,688,997
Net underwriting income (loss)	**1,804,933**	(273,912)
Investment income and expenses (Note 6)	**(1,919,520)**	2,746,255
Comprehensive income (loss) before taxes	**(114,587)**	2,472,343
Provision for income taxes (Note 11)	**(69,011)**	584,678
Comprehensive income (loss) for year	**$ (45,576)**	$ 1,887,665

The accompanying notes are an integral part of these financial statements

Statement of Policyholders' Equity

For the Year Ended December 31, 2022

	2022	2021
Balance, beginning of the year	**$ 36,638,777**	$ 34,751,112
Comprehensive income (loss) for the year	**(45,576)**	1,887,665
Balance, end of the year	**$ 36,593,201**	$ 36,638,777

The accompanying notes are an integral part of these financial statements

	2022	2021
Operating activities		
Comprehensive income (loss) for year	$ **(45,576)**	$ 1,887,665
Adjustments for:		
Depreciation	**150,640**	155,080
Amortization of intangible assets	**56,000**	56,000
Realized (gain) loss from disposal of investments	**(47,548)**	(1,300,500)
Realized (gain) loss from disposal of assets	**-**	(247,231)
Deferred income taxes	**(8,000)**	13,600
	105,516	564,614
Changes in working capital		
Change in due from policyholders	**(396,628)**	(208,864)
Change in due from / to reinsurer	**635,928**	(1,721,361)
Change in due from / to Facility Association	**13,920**	(29,524)
Change in prepaid expenses	**(75,490)**	109,941
Change in accounts payable and other liabilities	**134,112**	240,116
	311,842	(1,609,692)
Changes in insurance contract related balances, provisions		
Change in unpaid claims and adjustment expenses	**427,480**	3,201,857
Change in unearned premiums	**658,740**	731,340
Change in deferred policy acquisition expenses	**(108,521)**	(178,430)
	977,699	3,754,767
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	**(93,592)**	(18,659)
Income taxes paid / recovered	**(23,919)**	(1,078,671)
	(117,511)	(1,097,330)
Total cash inflows (outflows) from operating activities	**1,277,546**	1,612,359
Investing activities		
Sale of investments	**7,929,762**	18,105,822
Purchase of investments	**(14,525,440)**	(19,864,249)
Change in fair value of equity investments	**3,165,954**	(179,469)
Provincial tax credit re: building	**45,000**	-
Sale of property and equipment	**-**	427,231
Purchase of property and equipment	**(36,448)**	(41,030)
Total cash inflows (outflows) from investing activities	**(3,421,172)**	(1,551,695)
Net increase (decrease) in cash	**(2,143,626)**	60,664
Cash, beginning of the year	**5,275,491**	5,214,827
Cash, end of the year	$ **3,131,865**	$ 5,275,491

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION

West Wawanosh 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 automobile, liability, property, farmers' accident, fidelity and aircraft (limited to unmanned air vehicles for use in farming and commercial activities) insurance in Ontario. The Company's head office is located in Goderich, 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 includes actuarial justification for rate increases or decreases. All rate filings are approved or denied by the Financial Services Regulatory Authority of Ontario. Rate regulation may affect the automobile revenues that are earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

These financial statements have been authorized for issue by the Board of Directors on January 26, 2023.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

b) Basis of measurement

These financial statements were prepared under the historical cost convention except for those financial assets that have been measured at fair value through profit and loss (FVTPL).

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

c) Judgment and estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The calculation of unpaid claims, including the determination of the initial claim liability, the estimate of time until ultimate settlement and the performance of a liability adequacy test (Note 4).
- The determination of the recoverability of deferred policy acquisition expenses (Note 4).
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding (Note 5).
- The estimate of the tax liability including the related interest and penalties in the current tax provision (Note 11).

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

2. BASIS OF PRESENTATION (CONTINUED)

d) Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in comprehensive income.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2022 did not materially affect the Company's financial statements.

4. INSURANCE CONTRACTS

In accordance with IFRS 4, Insurance Contracts, the Company has continued to apply the accounting policies it applied in accordance with pre-changeover Canadian generally accepted accounting principles.

Balances arising from insurance contracts primarily include unearned premiums, provisions for unpaid claims and adjustment expenses, the Reinsurer's share of provisions for unpaid claims and adjustment expenses, and deferred policy acquisition expenses.

a) Premiums and unearned premiums

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions payable to agents and exclusive of taxes levied on premiums.

The Company recognizes premium income evenly over the term of the insurance policy using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums (UEP).

Changes in unearned premiums recorded in the statement of financial position for the years ended December 31, 2022 and 2021 and their impact on net premiums earned for the two years follow:

	2022	2021
Balance, beginning of the year	**$ 12,075,620**	$11,344,280
Premiums written	**25,130,443**	23,818,528
Premiums earned during the year	**(24,471,703)**	(23,087,188)
Changes in UEP recognized in income	**658,740**	731,340
Balance, end of the year	**$ 12,734,360**	$12,075,620

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 is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses, and expected profit in relation to unearned premiums. There was no premium deficiency at December 31, 2022 and 2021.

4. INSURANCE CONTRACTS (CONTINUED)

a) Premiums and unearned premiums (continued)

Amounts due from policyholders are measured at amortized cost less any impairment losses. These amounts are short-term in nature consisting of a large number of policyholders, and are not subject to material credit risk. Regular review of amounts outstanding is performed to ensure credit worthiness.

b) Deferred policy acquisition expenses

Acquisition costs are comprised of agents' commissions, premium taxes and other incremental costs of acquiring and renewing policies. These costs are deferred and amortized over the terms of the related policies to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses.

Changes in deferred policy acquisition expenses recorded in the statement of financial position for the years ended December 31, 2022 and 2021 and their impact on fees, commissions and other acquisition expenses for the two years follow:

	2022	2021
Balance, beginning of the year	**$ 2,298,823**	$ 2,120,393
Acquisition costs incurred	**4,620,430**	4,566,931
Expensed during the year	**(4,511,909)**	(4,388,501)
Balance, end of the year	**$ 2,407,344**	$ 2,298,823

c) Unpaid claims and adjustment expenses

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, claims development, changes in reported claims and for claims incurred but not reported, based on past experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in current income.

A summary of the Company's outstanding gross unpaid claims liabilities, related reinsurer's share of unpaid claims and the net insurance liabilities follows:

	December 31, 2022			December 31, 2021		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Outstanding claims provision						
Long settlement term	**$ 5,783,356**	**$ 1,218,268**	**$ 4,565,088**	$ 4,473,511	$ 1,415,458	$ 3,058,053
Short settlement term	**6,140,119**	**2,328,089**	**3,812,030**	7,482,584	3,131,377	4,351,207
Facility Association and other related pools	**248,500**	**-**	**248,500**	257,900	-	257,900
	12,171,975	**3,546,357**	**8,625,618**	12,213,995	4,546,835	7,667,160
Provision for claims incurred but not reported	**4,465,300**	**1,964,000**	**2,501,300**	3,995,800	1,619,000	2,376,800
	$ 16,637,275	**$ 5,510,357**	**$ 11,126,918**	$16,209,795	$ 6,165,835	$10,043,960

4. INSURANCE CONTRACTS (CONTINUED)

c) Unpaid claims and adjustment expenses (continued)

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

The Company must participate in industry automobile residual pools of business, and recognizes a share of this business based on its automobile market share. The Company records its share of the assets, liabilities, revenue, expenses, unearned premiums and provision for unpaid claims provided by the actuaries of the pools.

Changes in claim liabilities recorded in the statement of financial position for the years-ended December 31, 2022 and 2021 and their impact on claims and adjustment expenses for the two years follow:

	2022	2021
Unpaid claim liabilities - beginning of year	**$ 16,209,795**	$13,007,938
Increase (decrease) in estimated losses and expenses, for losses occurring in prior years	**(877,020)**	(2,809,977)
Provision for losses and expenses on claims occurring in the current year	**12,561,850**	17,627,630
Payment on claims:		
Current year	**(5,911,376)**	(7,640,741)
Prior years	**(5,345,974)**	(3,975,055)
Unpaid claim liabilities - end of year	**16,637,275**	16,209,795
Reinsurer's share and subrogation recoverable	**5,510,357**	6,165,835
Balance, end of the year	**$ 11,126,918**	$10,043,960

The change in estimate of losses occurring in prior years is due to changes arising from new information received.

Claim development

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 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 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.

4. INSURANCE CONTRACTS (CONTINUED)

c) Unpaid claims and adjustment expenses (continued)

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and claims reporting patterns. In general, the longer the term required for the settlement of a group of claims the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The tables below show how the Company's estimate of cumulative incurred claim cost for each accident year has changed at successive year ends and reconcile the cumulative claims to the amount appearing in the statement of financial position. An accident-year basis is considered to be the most appropriate for the business written by the Company.

4. INSURANCE CONTRACTS (CONTINUED)

$000

Gross claims	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Gross estimate of cumulative claims cost												
At the end of accident year	$ 9,596	$ 10,694	$ 8,711	$ 12,085	$ 10,018	$ 11,321	$ 13,089	$ 15,581	$ 11,732	$ 17,628	$ 12,580	
One year later	7,612	9,431	7,243	11,333	9,242	9,882	11,728	13,791	9,973	16,486		
Two years later	6,816	8,631	6,735	10,707	8,799	9,187	11,047	13,238	10,409			
Three years later	7,016	8,326	6,342	9,941	7,975	9,281	10,671	13,379				
Four years later	6,738	8,372	6,399	9,802	7,982	9,337	10,516					
Five years later	6,759	8,510	6,433	9,839	7,983	9,367						
Six years later	6,610	8,279	6,334	9,725	7,825							
Seven years later	6,602	8,252	6,294	9,700								
Eight years later	6,601	8,233	6,292									
Nine years later	6,599	8,233										
Ten years later	6,599											
Current estimate of cumulative claims cost	6,599	8,233	6,292	9,700	7,825	9,367	10,516	13,379	10,409	16,486	12,580	
Cumulative payments	6,577	8,233	6,292	9,593	7,759	9,105	10,344	11,419	8,275	11,741	5,911	
Outstanding claims	$ 22	$ -	$ -	$ 107	$ 66	$ 262	$ 172	$ 1,960	$ 2,134	$ 4,745	$ 6,669	$ 16,137
Outstanding claims 2011 and prior												500
Total gross unpaid claims and adjustment expenses												**$ 16,637**

Net of reinsurance	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Net estimate of cumulative claims cost												
At the end of accident year	$ 7,153	$ 7,143	$ 7,008	$ 9,217	$ 7,703	$ 9,530	$ 9,630	$ 12,622	$ 10,362	$ 13,317	$ 11,498	
One year later	5,964	6,664	6,322	8,674	6,697	7,987	8,865	11,531	9,264	12,593		
Two years later	5,533	6,479	6,231	8,149	7,381	7,604	8,407	11,066	9,681			
Three years later	5,345	6,398	6,116	7,906	6,996	7,804	8,282	11,139				
Four years later	5,329	6,397	6,219	7,834	6,939	7,879	8,136					
Five years later	5,324	6,615	6,254	7,882	6,974	7,909						
Six years later	5,313	6,500	6,212	7,797	6,870							
Seven years later	5,316	6,479	6,177	7,779								
Eight years later	5,316	6,462	6,178									
Nine years later	5,313	6,462										
Ten years later	5,313											
Current estimate of cumulative claims cost	5,313	6,462	6,178	7,779	6,870	7,909	8,136	11,139	9,681	12,593	11,498	
Cumulative payments	5,291	6,462	6,178	7,675	6,824	7,687	8,004	10,266	7,941	10,194	5,930	
Outstanding claims	$ 22	$ -	$ -	$ 104	$ 46	$ 222	$ 132	$ 873	$ 1,740	$ 2,399	$ 5,568	$ 11,106
Outstanding claims 2011 and prior												21
Total net unpaid claims and adjustment expenses												**$ 11,127**

4. INSURANCE CONTRACTS (CONTINUED)

c) Unpaid claims and adjustment expenses (continued)

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

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

	Property claims		Auto claims		Liability claims	
	2022	2021	**2022**	2021	**2022**	2021
5% increase in loss ratios						
Gross	**$ 772,573**	$ 713,158	**$ 357,823**	$ 348,551	**$ 94,365**	$ 93,772
Net	**$ 645,169**	$ 599,522	**$ 319,464**	$ 298,993	**$ 85,680**	$ 83,840
5% decrease in loss ratios						
Gross	**$ (772,573)**	$ (713,158)	**$ (357,823)**	$ (348,551)	**$ (94,365)**	$ (93,772)
Net	**$ (645,169)**	$ (599,522)	**$ (319,464)**	$ (298,993)	**$ (85,680)**	$ (83,840)

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

d) Liability adequacy test

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in profit and loss initially by writing down the deferred policy acquisition expense and subsequently by recognizing additional unearned premiums.

e) Reinsurer's share of provisions for unpaid claims and adjustment expenses

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are set by product line. Reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured.

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 $500,000 (2021 - $500,000) in the event of a property claim, an amount of $800,000 (2021 - $600,000) in the event of an automobile claim and $500,000 (2021 - $400,000) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $1,000,000 (2021 - $1,000,000) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 70% (2021 - 70%) of gross net earned premiums for all lines.

4. INSURANCE CONTRACTS (CONTINUED)

e) Reinsurer's share of provisions for unpaid claims and adjustment expenses (continued)

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

Expected reinsurance recoveries on unpaid claims and adjustment expenses are recognized as assets at the same time and using principles consistent with the Company's method for establishing the related liability. Changes in due from reinsurer recorded in the statement of financial position for the years-ended December 31, 2022 and 2021 follow:

	2022	2021
Balance, beginning of the year	**$ 2,718**	$ 79,300
Submitted to reinsurer	**1,336,528**	1,435,217
Received from reinsurer	**(1,314,775)**	(1,511,799)
Balance, end of the year	**$ 24,471**	$ 2,718

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 and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract. At year-end, the Company reviewed the amounts owing from its reinsurer and determined that no allowance is necessary.

Changes in reinsurer's share of provision for unpaid claims recorded in the statement of financial position for the years-ended December 31, 2022 and 2021 and their impact on net premiums earned for the two years follow:

Reinsurer's share of provision for unpaid claims

	2022	2021
Balance, beginning of the year	**$ 6,165,835**	$ 4,376,972
New claims reserve	**1,082,383**	4,310,574
Change in prior years' reserve	**(401,333)**	(1,086,494)
Submitted to reinsurer	**(1,336,528)**	(1,435,217)
Balance, end of the year	**$ 5,510,357**	$ 6,165,835

5. INVESTMENTS

a) Recognition and initial measurement

The Company recognizes debt instruments on the date on which they are originated. Equity instruments are recognized on the settlement date, which is the date that the asset is received by the Company. The instruments are initially measured at fair value.

b) Classification and subsequent measurement

The Company classifies its debt instruments, bankers' acceptance and bonds as FVTPL because the Company manages the debt instruments and evaluates their performance on a fair value basis in accordance with a documented investment strategy and the instruments are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Company's mutual and pooled funds are redeemable at the option of the holder and therefore considered debt instruments under IFRS 9 that do not give rise to cash flows that are solely payments of principal and interest and therefore are classified as FVTPL.

The Company classifies its equity instruments in listed and unlisted companies, as FVTPL.

The debt and equity instruments are subsequently measured at fair value where the net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognized in profit or loss.

c) Derecognition

The Company derecognizes investments when the contractual rights to the cash flows from the investment expires or the Company transfers the investment. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

d) Risks

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.

5. INVESTMENTS (CONTINUED)

d) Risks (continued)

	December 31, 2022 Cost	December 31, 2022 Fair Value	December 31, 2021 Cost	December 31, 2021 Fair Value
GICs / Bankers' acceptance	**$ 8,000,000**	**$ 8,000,000**	$ 1,000,000	$ 1,000,000
Bonds- Not rated	**$ 2,400,000**	**$ 2,400,000**	$ 2,000,000	$ 2,000,000
Mutual funds				
Canadian equity	**$ 3,941,487**	**$ 4,882,018**	$ 4,180,593	$ 5,698,401
US equity	**1,053,240**	**1,012,080**	1,872,054	2,209,325
	$ 4,994,727	**$ 5,894,098**	$ 6,052,647	$ 7,907,726
Pooled funds				
Canadian equity	**$ 4,513,403**	**$ 4,437,388**	$ 4,867,754	$ 4,945,520
Canadian fixed income	**17,893,352**	**16,012,238**	17,514,355	17,308,040
Commercial mortgages	**8,759,778**	**8,468,556**	8,483,434	8,585,088
	$ 31,166,533	**$ 28,918,182**	$ 30,865,543	$ 30,838,648
Other investments				
Fire Mutuals guarantee fund	**$ 40,710**	**$ 40,710**	$ 40,555	$ 40,555
Private equity	**200,001**	**250,034**	200,001	238,823
	$ 240,711	**$ 290,744**	$ 240,556	$ 279,378
Total investments	**$ 46,801,971**	**$ 45,503,024**	$ 40,158,746	$ 42,025,752

The Company is exposed to credit risk relating to its debt holdings in its investment portfolio.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio, including those held in fixed income pooled funds includes 56% (2021 - 62%) of bonds rated A or better. The Company's investment policy limits investment in bonds and debentures of the various ratings to limits ranging from 65% to 100% of the Company's portfolio. The Company's policy requires that funds be invested in bonds and debentures of Federal, Provincial or Municipal Government and corporations rated BBB or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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.

5. INVESTMENTS (CONTINUED)

d) Risks (continued)

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. The Company has no material commitments for capital expenditures. Claim payments are funded by current operating cash flow including investment income.

The Company's investment policy requires that 4% to 20% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year.

Maturity profile of bonds and GICs held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	No fixed	Total
December 31, 2022	**$ 8,000,000**	**$ 1,400,000**	**$ 500,000**	**$ 500,000**	**-**	**$ 10,400,000**
Percent of total	**77%**	**13%**	**5%**	**5%**	**0%**	
December 31, 2021	$ 1,000,000	$ 1,000,000	$ 500,000	$ 500,000	-	$ 3,000,000
Percent of total	33%	33%	17%	17%	0%	

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

Market factors that will impact the fair value of investments include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Board of Directors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer.

The Company's currency risk is related to stock holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 10% of the total investment portfolio in accordance with its investment policy. Foreign currency changes are monitored by the Board of Directors and holdings are adjusted when offside of the investment policy.

The Company is exposed to interest rate risk through its interest bearing investments (Bankers' Acceptance, T-Bills, GICs, Pooled Funds and Bonds).

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 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 gains or losses in profit or loss.

5. INVESTMENTS (CONTINUED)

d) Risks (continued)

At December 31, 2022, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by $322,405 (2021 - $141,215). Also, a 1% move in interest rates, with all other variables held constant, could impact the market value of fixed income pooled funds by $702,053 (2021 - $1,006,482). These changes would be recognized in comprehensive income.

The Company is exposed to equity risk through its portfolio of stocks in unlisted Canadian companies and listed Canadian and US companies. At December 31, 2022, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's equity mutual fund of $589,400 (2021 - $790,800), the commercial mortgage pooled fund of $846,900 (2021 - $858,500), and the equity pooled fund of $443,700 (2021- $494,500). These changes would be recognized in comprehensive income.

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

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter to ensure the investments portfolio remains in compliance with the investment policy.

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.

e) Fair value measurement

The following table provides an analysis of 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
- 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).

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Bonds and GICs	**-**	**$ 8,000,000**	**$ 2,400,000**	**$ 10,400,000**
Mutual funds	**5,894,098**	**-**	**-**	**5,894,098**
Pooled funds	**-**	**28,918,182**	**-**	**28,918,182**
Other investments	**40,710**	**-**	**250,034**	**290,744**
Total	**$ 5,934,808**	**$ 36,918,182**	**$ 2,650,034**	**$ 45,503,024**
December 31, 2021				
Bonds and GICs	$ -	$ 1,000,000	$ 2,000,000	$ 3,000,000
Mutual funds	7,907,726	-	-	7,907,726
Pooled funds	-	30,838,648	-	30,838,648
Other investments	40,555	-	238,823	279,378
Total	$ 7,948,281	$ 31,838,648	$ 2,238,823	$ 42,025,752

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2022 and 2021.

6. INVESTMENT INCOME AND EXPENSES

	2022	2021
Interest income	**$ 1,012,012**	$ 817,817
Dividend and other income	**389,075**	393,902
Investment fees	**(202,201)**	(192,664)
Realized gains (losses) on disposal of investments	**47,548**	1,300,500
Change in unrealized gains (losses)	**(3,165,954)**	179,469
Realized gains (losses) on disposal of assets	**-**	247,231
	$ (1,919,520)	$ 2,746,255

7. CAPITAL MANAGEMENT

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

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

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators require property and casualty companies to comply with capital adequacy requirements. This test compares 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 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 and deemed necessary.

The Company uses Net Risk Ratio (policyholders' equity to net premiums earned) to monitor capital adequacy. The Company benchmarks an adequate Net Risk Ratio to be over 1:1. The Company's Net Risk Ratio at December 31, 2022 was 1.77:1 (2021 - 1.87:1).

8. FEES, COMMISSIONS AND OTHER ACQUISITION EXPENSES

	2022	2021
Commissions	**$ 4,963,541**	$ 4,543,494
Premium tax	**79,725**	74,037
	$ 5,043,266	$ 4,617,531

9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2022	2021
Amortization of intangible assets	**$ 56,000**	$ 56,000
Computer costs	**562,028**	560,816
Depreciation	**150,640**	155,080
Licenses, fees and dues	**126,463**	130,902
General operational	**269,497**	247,194
Professional fees	**87,759**	57,652
Occupancy costs	**49,253**	76,235
Loss prevention and investigation	**77,707**	119,591
Other	**181,182**	144,333
	$ 1,560,529	$ 1,547,803

Included in claims expenses were other operating and administrative costs of $536,972 (2021 - $414,051).

10. SALARIES, BENEFITS AND DIRECTORS' FEES

	2022	2021
Underwriter salaries and benefits	**$ 761,828**	$ 834,889
Other salaries, benefits and directors' fees	**628,787**	688,774
	$ 1,390,615	$ 1,523,663

Included in claims expenses were salary costs of $572,274 (2021 - $336,241).

11. INCOME TAXES

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income except to the extent that it relates to items recognized directly in equity.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

The significant components of the tax effect of the amounts recognized in comprehensive income are composed of:

	2022	2021
Current tax		
Based on current year taxable income (loss)	**$ (61,011)**	$ 571,078
Adjustments for over / under provision in prior periods	**-**	-
	$ (61,011)	$ 571,078
Deferred tax		
Origination and reversal of temporary differences	**$ (8,000)**	$ 13,600
Total tax effect of amounts recorded in other income	**$ (69,011)**	$ 584,678

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26% (2021 - 26%) are as follows:

	2022	2021
Comprehensive income (loss) for the year before taxes	**$ (114,587)**	$ 2,472,343
Expected taxes based on the statutory rate of 26% (2021 - 26%)	**(30,366)**	648,894
Non-deductible portion of claims liabilities	**14,350**	18,543
Other non-deductible expenses	**692**	272
Other capital adjustments	**-**	(26,909)
Capital cost allowance in excess of depreciation	**(16,432)**	(16,080)
Cumulative eligible capital	**14,840**	14,698
Canadian dividend income not subject to tax	**(44,095)**	(68,340)
	$ (61,011)	$ 571,078

11. INCOME TAXES (CONTINUED)

The movement in 2022 deferred tax liabilities and assets are:	Opening balance at Jan 1, 2022	Recognize in comprehensive income	Closing balance at Dec 31 2022
Deferred tax liabilities			
Property and equipment	$ (105,300)	$ (13,150)	**$ (118,450)**
Deferred tax liability	$ (105,300)	$ (13,150)	**$ (118,450)**
Deferred tax assets			
Claims liabilities	$ 133,100	$ 14,350	**$ 147,450**
Intangible assets	40,000	6,800	**46,800**
Deferred tax asset	$ 173,100	$ 21,150	**$ 194,250**
2022 net deferred tax asset movement	$ 67,800	$ 8,000	**$ 75,800**

The movement in 2021 deferred tax liabilities and assets are:	Opening balance at Jan 1, 2021	Recognize in comprehensive income	Closing balance at Dec 31 2021
Deferred tax liabilities			
Property and equipment	$ (66,530)	$ (38,770)	**$ (105,300)**
Deferred tax liability	$ (66,530)	$ (38,770)	**$ (105,300)**
Deferred tax assets			
Claims liabilities	$ 114,360	$ 18,740	**$ 133,100**
Intangible assets	33,570	6,430	**40,000**
Deferred tax asset	$ 147,930	$ 25,170	**$ 173,100**
2021 net deferred tax asset movement	$ 81,400	$ (13,600)	**$ 67,800**

	2022	2021
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	**$ (118,450)**	$ (105,300)
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**194,250**	173,100
Net deferred tax asset	**$ 75,800**	$ 67,800

12. STRUCTURED SETTLEMENTS, FIRE MUTUAL 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 Mutual Guarantee Fund ("the Fund"). The Fund was established to provide payment of outstanding policyholders' claims if a member company becomes bankrupt. As a result, the Company may be required to contribute assets 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 4, Insurance Contracts.

13. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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. Depreciation is recognized in comprehensive income and is provided on a straight-line basis over the estimated useful life of the asset.

Intangible assets

Intangible assets consist of market retention and customer related costs. Intangible assets are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in comprehensive income and is provided on a straight-line basis over the estimated useful life of the asset, 10 years.

Property and equipment

			2022	
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	N/A	**$ 358,550**	**$ -**	**$ 358,550**
Buildings	40 years	**3,212,201**	**174,100**	**3,038,101**
Computer hardware	5 years	**90,683**	**49,920**	**40,763**
Furniture and fixtures	10 years	**477,258**	**248,144**	**229,114**
Vehicles	6 years	**54,573**	**29,040**	**25,533**
		$ 4,193,265	**$ 501,204**	**$ 3,692,061**

			2021	
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 358,550	$ -	$ 358,550
Buildings	40 years	3,253,020	93,300	3,159,720
Computer hardware	5 years	78,250	38,890	39,360
Furniture and fixtures	10 years	462,596	202,656	259,940
Vehicles	6 years	54,573	20,890	33,683
		$ 4,206,989	$ 355,736	$ 3,851,253

13. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Intangible assets

	2022			
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Market retention and customer related costs	10 years	**$ 560,000**	$ 504,000	**$ 56,000**

	2021			
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Market retention and customer related costs	10 years	$ 560,000	$ 448,000	$ 112,000

14. PENSION PLAN

The Company makes contributions to the Ontario Mutual Insurance Association Pension Plan, which is a multi-employer plan, on behalf of members of its staff. Eligible employees participate in the defined benefit plan, which is a money purchase plan. The defined benefit plan specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. However, 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. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is usually insufficient to reliably measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

The defined benefit plan has been closed to future eligible employees effective August 2013. The Company and all current employees who were accruing benefits under the defined benefit plan continue to contribute to the defined benefit plan according to the existing terms of the agreement. Subsequently eligible employees are enrolled in the defined contribution plan. The Company's obligation with respect to this plan is to make specified monthly contributions based on a percentage of employee's eligible earnings.

The Company 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. The minimum funding requirement is the solvency valuation amount determined by the Pension Plan actuary on the valuation dates prescribed by the Pensions Benefit Act. 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.

The amount contributed to the plan for 2022 was $144,095 (2021 - $126,967). The contributions were made for current service and these have been recognized in comprehensive income. These contributions amount to 1.9% of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year.

Expected contributions to the plan for the next annual reporting period amount to $153,000, which is based on payments made to the multi-employer plan during the current fiscal year.

The pension plan exposes the Company to a contingent liability for any shortfall in plan assets resulting from insufficient contributions including actuarial losses relating to other participating entities and any shortfall in the plan if other entities cease to participate.

15. OTHER PROVISIONS AND CONTINGENT LIABILITIES

In common with the insurance industry in general, the Company is subject to litigation arising in the normal course of conducting its insurance business which is taken into account in establishing the provision for unpaid claims and adjustment expenses. Management is not aware of any other liability related to legal disputes unrelated to their insurance business for which it is probable that an amount will be paid.

16. 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:

	2022	2021
Compensation		
Salaries, wages and short term employee benefits and directors' fees	$ 564,960	$ 548,465
Total pension and other post-employment benefits	52,556	49,806
	$ 617,516	$ 598,271
Premiums	$ 69,184	$ 66,583
Claims paid	$ (3,183)	$ 53,216

No amounts were owing to and from key management personnel.

17. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain new standards, amendments to standards, and interpretations were issued by the IASB or the IFRS interpretations Committee that are mandatory for accounting years beginning on January 1, 2023 or later that the Company has decided not to adopt early.

Of those new standards, interpretations and amendments that are not yet effective, *IFRS 17 Insurance Contracts* is expected to have a material impact on the Company's financial statements in the period of initial application.

- IFRS 17 Insurance Contracts supersedes IFRS 4 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires entities to recognize profits as it delivers insurance services. The effective date for IFRS 17 is January 1, 2023. The company has not yet determined the impact of adoption, however it is expected to significantly impact the overall financial statements.

18. FINANCIAL IMPACT OF COVID-19 PANDEMIC

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. Subsequently, the Province of Ontario issued a state of emergency limiting the number of people in a gathering and requiring rolling closures and lockdowns of non-essential businesses for an indeterminate period of time. The dynamic nature of the COVID-19 crisis makes it impossible to predict outcomes, however it is not expected to have a significant impact on the Company's operations, cash flows and financial position. The Board of Directors and management continue to monitor the situation and reflect any impact in the financial statements as appropriate.