WEST WAWANOSH
MUTUAL INSURANCE COMPANY

Financial Statements

For the Year Ended December 31, 2023

Table of Contents

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, 2023 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, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *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.

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 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
February 14, 2024

West Wawanosh Mutual Insurance Company
Statement of Financial Position
December 31, 2023

	December 31 2023	December 31 2022 Restated	January 1 2022 Restated
Assets			
Cash	**$ 4,815,179**	$ 3,131,865	$ 5,275,493
Investments (Note 5)	**49,883,006**	45,503,024	42,025,752
Investment income accrued	**298,192**	144,381	50,789
Reinsurance contract assets (Note 6b)	**3,905,267**	4,717,456	6,404,138
Prepaid expenses	**124,144**	115,604	40,114
Income taxes receivable	**-**	487,836	463,917
Deferred income taxes (Note 11)	**73,400**	75,800	67,800
Property and equipment (Note 7)	**3,567,079**	3,692,061	3,851,253
Intangible assets (Note 7)	-	56,000	112,000
	$ 62,666,267	$ 57,924,027	$ 58,291,256
Liabilities			
Accounts payable and accrued liabilities	**$ 246,941**	$ 160,473	$ 166,079
Insurance contract liabilities (Note 6a)	**19,661,591**	20,500,129	21,096,009
Payable to Facility Association	**48,337**	52,674	46,848
Income taxes payable	**1,355,671**	-	-
	21,312,540	20,713,276	21,308,936
Policyholders' Equity	**41,353,727**	37,210,751	36,982,320
	$ 62,666,267	$ 57,924,027	$ 58,291,256

The accompanying notes are an integral part of these financial statements

Stephen Raber

Director

Director

Statement of Comprehensive Income
For the Year Ended December 31, 2023

	2023	2022 Restated
Insurance revenue (Note 8)	**$ 26,176,565**	$ 24,620,368
Insurance service expense (Note 9)	**18,103,133**	17,441,232
Insurance service result before reinsurance contracts held (Note 6a)	**8,073,432**	7,179,136
Net expense from reinsurance contracts held (Note 6b)	**3,759,041**	4,042,261
Insurance service result	**4,314,391**	3,136,875
Investment income and expenses (Note 10)	**3,507,001**	(1,919,520)
Finance expenses from insurance contracts issued	**(680,737)**	189,470
Finance income from reinsurance contracts held	**167,463**	(144,690)
Net insurance financial result	**(513,274)**	44,780
Other expenses (Note 9)	**1,825,636**	1,102,715
Comprehensive income (loss) before taxes	**5,482,482**	159,420
Provision for income taxes (Note 11)	**1,339,506**	(69,011)
Comprehensive income (loss) for the year	**$ 4,142,976**	$ 228,431

The accompanying notes are an integral part of these financial statements

West Wawanosh Mutual Insurance Company
Statement of Policyholders' Equity
For the Year Ended December 31, 2023

	2023	2022 Restated
Balance, beginning of the year, as previously reported	**$ 36,593,201**	$ 36,638,777
Impact of initial application of IFRS 17	**617,550**	343,543
Balance, beginning of the year, restated	**37,210,751**	36,982,320
Comprehensive income for the year	**4,142,976**	228,431
Balance, end of the year	**$ 41,353,727**	$ 37,210,751

The accompanying notes are an integral part of these financial statements

West Wawanosh Mutual Insurance Company
Statement of Cash Flows
For the Year Ended December 31, 2023

	2023	2022 Restated
Operating activities		
Comprehensive income for year	**$ 4,142,976**	$ 228,431
Adjustments for:		
Depreciation	**151,308**	150,640
Amortization of intangible assets	**56,000**	56,000
Realized (gain) loss from disposal of investments	**(757,926)**	(47,548)
Realized (gain) loss from disposal of assets	**-**	-
Deferred income taxes	**2,400**	(8,000)
	3,594,758	379,523
Changes in working capital		
Change in due from / to Facility Association	**(4,337)**	5,826
Change in prepaid expenses	**(8,540)**	(75,490)
Change in accounts payable and other liabilities	**86,468**	(5,606)
	73,591	(75,270)
Changes in insurance contract related balances, provisions		
Insurance and reinsurance contracts	**(26,349)**	1,090,802
	(26,349)	1,090,802
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	**(153,811)**	(93,592)
Income taxes paid / recovered	**1,843,507**	(23,919)
	1,689,696	(117,511)
Total cash inflows (outflows) from operating activities	**5,331,696**	1,277,544
Investing activities		
Sale of investments	**20,145,696**	7,929,762
Purchase of investments	**(23,190,223)**	(14,525,440)
Change in fair value of equity investments	**(577,530)**	3,165,954
Provincial tax credit re: building	**-**	45,000
Purchase of property and equipment	**(26,326)**	(36,448)
Total cash inflows (outflows) from investing activities	**(3,648,383)**	(3,421,172)
Net increase (decrease) in cash	**1,683,313**	(2,143,628)
Cash, beginning of the year	**3,131,865**	5,275,493
Cash, end of the year	**$ 4,815,179**	$ 3,131,865

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 February 2, 2024.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

Changes in accounting policies and disclosures

In these financial statements, the Company has applied IFRS 17 for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after January 1, 2023.

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

i. Changes to the classification and measurement

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

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

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

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

The 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 preparation (continued)

IFRS 17 Insurance Contracts (continued)

ii. Changes to presentation and disclosure

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

- Portfolios of insurance contracts issued that are liabilities.
- Portfolios of insurance contracts 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.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Changes to the line item descriptions include:

Under IFRS 4 the Company presented:	IFRS 17 requires separate presentation of:
Gross written premiums Changes in premium reserves Net insurance premium revenue Service charges income	Insurance revenue
Gross claims expenses Fees, commissions and other acquisition expenses Loss prevention and investigation	Insurance service expenses
Reinsurer's share of claims and adjustment expenses Reinsurance ceded	Income or expenses from reinsurance contracts held
	Insurance finance income or expenses Reinsurance finance income or expense

iii. Transition

On transition date January 1, 2022 the Company:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

iv. Recognition

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Insurance and reinsurance contracts accounting treatment (continued)

iv. Recognition (continued)

The Company recognizes a group of reinsurance contracts held that 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.

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 contact is not recognized. Such amounts relate to future insurance contracts.

vi. Measurement - Premium Allocation Approach

	IFRS 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for all insurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.	For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Insurance and reinsurance contracts accounting treatment (continued)

vi. Measurement - Premium Allocation Approach (continued)

	IFRS 17 Options	Adopted approach
Liability for Incurred Claims (LFIC), adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all business lines, adjustments are made for the time value of money when assessing the incurred claims.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	For all contracts, the change in LFIC as a result of changes in discount rates will be captured within profit and loss.

vii. 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 profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

viii. Reinsurance contracts held - initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues (i.e. the PAA). However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example, the generation of expenses or reduction in expenses rather than revenue. Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contacts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contacts 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Insurance and reinsurance contracts accounting treatment (continued)

ix. Insurance contracts - subsequent measurement

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

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

The 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 profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

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

x. Reinsurance contracts - subsequent measurement

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

xi. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Insurance and reinsurance contracts accounting treatment (continued)

xii. Insurance contracts - modification and derecognition

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the relevant contracts are extinguished (i.e. discharged, cancelled or expired), or
- The contract is modified such that the modification results in 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.

xiii. 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.

xiv. 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.

xv. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Insurance and reinsurance contracts accounting treatment (continued)

xvi. Loss recovery components

As described in Note 2(b)(xv) 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.

xvii. Insurance finance income and expense

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

xviii. Net income or expense from reinsurance contracts held

The Company does not separately present on the face of the statement of profit or loss and other 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 profit or loss and other comprehensive income.

c) Financial instruments

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

Financial instruments measured at FVTPL

The Company classifies its debt instruments and bonds as fair value through profit and loss (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 recognizes debt instruments on the date on which they originated. Debt instruments are initially measured at fair value.

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 as FVTPL. Equity instruments are recognized on the settlement date, which is the date that the asset is received by the Company. Equity instruments are initially measured at fair value.

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.

Financial instruments measured at amortized cost

These financial instruments are originally recognized at fair value and subsequently measured at amortized cost.

Financial assets measured at amortized cost are comprised of receivables arising from insurance contracts and other receivables. These amounts are short-term in nature and the carrying value is considered to approximate the fair value.

Financial liabilities measured at amortized cost are comprised of payables arising from insurance contracts, trade payables and accrued liabilities. These amounts are short-term in nature and the carrying value is considered to approximate the fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) 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.

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.

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.

f) Foreign currency translation

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 ACCOUNTING ESTIMATES AND JUDGMENTS

a) Significant judgments

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 remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring labilities for incurred claims, the Company now 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.

3 ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 analysed 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 uncertainties involved.

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

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

c) Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA rated sovereign (Government of Canada) securities. The illiquidity premium is determined by reference to observable market rates.

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

	1 year		3 years		5 years		10 years	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Insurance Contract Liabilities	4.52%	4.41%	3.70%	3.97%	3.53%	3.86%	3.77%	4.08

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in Note 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 uses the Cost of Capital approach to estimate the risk adjustment based on a target return on capital, reflecting the compensation required for non-financial risk. Through this evaluation of future cash flow distributions, the Company has determined that the required compensation is at the 65%-75% confidence level.

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

ii) Financial assets

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.

3 ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iii) Tax liabilities

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.

4 INSURANCE AND 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 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 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 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.

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. 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 $550,000 (2022 - $500,000) in the event of a property claim, an amount of $800,000 (2022 - $800,000) in the event of an automobile claim and $500,000 (2022 - $500,000) in the event of a liability claim. The Company also obtains reinsurance which limits the Company's liability to $1,500,000 (2022 - $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% (2022 - 70%) of gross net earned premiums for all lines.

The following table shows the concentration on net insurance contract liabilities by type of contract:

	2023			2022		
	Insurance $'000	**Reinsurance held $'000**	**Net $'000**	Insurance $'000	Reinsurance held $'000	Net $'000
Property	**$ 5,107**	**$ 1,633**	**$ 3,474**	$ 6,290	$ 2,333	$ 3,957
Liability	**2,558**	**111**	**2,447**	2,888	312	2,576
Automobile	**7,522**	**2,466**	**5,056**	6,723	2,340	4,383
Total net insurance contracts	**$ 15,187**	**$ 4,210**	**$ 10,977**	$ 15,901	$ 4,985	$ 10,916

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

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 reasonable possible movements in key assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

*

		2023			
		Impact on profit before tax		Impact on equity	
	Change in assumptions	Gross of reinsurance $'000	Net of reinsurance $'000	Gross of reinsurance $'000	Net of reinsurance $'000
Weighted average term to settlement	1.489				
Expected loss	+5.0%	725	204	533	150
Inflation rate	+1.0%	187	121	137	89
Weighted average term to settlement	1.489				
Expected loss	-5.0%	141	-207	104	-152
Inflation rate	-1.0%	-184	-119	-135	-87

		2022			
		Impact on profit before tax		Impact on equity	
	Change in assumptions	Gross of reinsurance $'000	Net of reinsurance $'000	Gross of reinsurance $'000	Net of reinsurance $'000
Weighted average term to settlement	1.146				
Expected loss	+5.0%	213	144	157	106
Inflation rate	+1.0%	220	162	162	119
Weighted average term to settlement	1.146				
Expected loss	-5.0%	-214	-142	-157	-104
Inflation rate	-1.0%	-215	-159	-158	-117

ii) Claims development

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

In settling 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.

	2023			2022		
	Estimates of the PVFCF* $'000	Risk Adjustment $'000	Total $'000	Estimates of the PVFCF* $'000	Risk Adjustment $'000	Total $'000
Total gross liabilities for incurred claims	$ 14,392	$ 795	$ 15,187	$ 15,299	$ 602	$ 15,901
Amounts recoverable from reinsurance	4,014	196	4,210	4,822	163	4,985
Total net liabilities for incurred claims	$ 10,378	$ 599	$ 10,977	$ 10,477	$ 439	$ 10,916

*PVFCF refers to present value of future cash flows

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2023

Amounts in $'000	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At the end of accident year	$ 115,803	$ 7,733	$ 10,843	$ 9,463	$ 10,950	$ 12,394	$ 15,179	$ 11,257	$ 15,982	$ 10,340	$ 13,028	
One year later	113,367	6,673	10,281	8,864	9,265	11,274	13,503	9,941	15,451	9,367		
Two years later	113,728	6,209	9,767	8,512	8,965	10,809	13,195	10,139	15,033			
Three years later	113,268	5,888	9,144	7,801	9,091	10,468	13,219	9,394				
Four years later	113,506	5,942	8,991	7,719	9,151	10,322	12,794					
Five years later	113,660	5,909	8,933	7,659	9,093	10,321						
Six years later	113,590	5,902	8,875	7,630	9,220							
Seven years later	113,596	5,972	8,855	7,608								
Eight years later	113,484	5,964	8,842									
Nine years later	113,462	5,964										
Ten years later	113,486											
Gross estimate of undiscounted amount of claims	113,486	5,964	8,842	7,608	9,220	10,321	12,794	9,394	15,033	9,367	13,028	215,057
Cumulative payments to date	112,983	5,964	8,737	7,587	8,952	10,192	11,588	8,334	13,077	7,464	6,169	201,047
Gross undiscounted liabilities for incurred claims	$ 503	$ -	$ 105	$ 21	$ 268	$ 129	$ 1,206	$ 1,060	$ 1,956	$ 1,903	$ 6,859	$ 14,010
Risk adjustment												795
Effects of discounting												(758)
Other attributable expenses												1,140
Total liabilities for incurred claims												**$ 15,187**

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2023

Amounts in $'000	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At the end of accident year	$ 65,544	$ 6,355	$ 8,083	$ 7,322	$ 8,931	$ 9,232	$ 12,514	$ 9,812	$ 12,906	$ 9,706	$ 10,984	
One year later	65,390	5,820	7,753	7,193	8,108	8,609	11,818	8,996	12,682	8,820		
Two years later	64,856	5,783	7,405	7,146	7,821	8,327	11,468	9,300	12,648			
Three years later	64,687	5,717	7,042	6,819	8,105	8,189	11,485	8,824				
Four years later	64,619	5,780	6,968	6,745	8,180	8,064	11,082					
Five years later	64,695	5,755	6,943	6,690	8,132	8,071						
Six years later	64,647	5,777	6,909	6,675	8,261							
Seven years later	64,643	5,843	6,919	6,653								
Eight years later	85,571	5,843	6,919									
Nine years later	83,325	5,843										
Ten years later	83,325											
Net estimate of undiscounted amount of claims	83,325	5,843	6,919	6,653	8,261	8,071	11,082	8,824	12,648	8,820	10,984	171,430
Cumulative payments to date	83,287	5,843	6,814	6,653	8,025	7,980	10,677	7,856	10,926	7,464	6,085	161,610
Net undiscounted liabilities for incurred claims	$ 38	$ -	$ 105	$ -	$ 236	$ 91	$ 405	$ 968	$ 1,722	$ 1,356	$ 4,899	$ 9,820
Risk adjustment												599
Effects of discounting												(502)
Other attributable expenses												1,060
Total liabilities for incurred claims												**$ 10,977**

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2022

Amounts in $'000	Before 2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At the end of accident year	$ 105,949	$ 9,854	$ 7,733	$ 10,843	$ 9,463	$ 10,950	$ 12,394	$ 15,179	$ 11,257	$ 15,982	$ 10,340	
One year later	104,332	9,035	6,673	10,281	8,864	9,265	11,274	13,503	9,941	15,451		
Two years later	105,352	8,376	6,209	9,767	8,512	8,965	10,809	13,195	10,139			
Three years later	105,260	8,008	5,888	9,144	7,801	9,091	10,468	13,219				
Four years later	105,426	8,080	5,942	8,991	7,719	9,151	10,322					
Five years later	105,481	8,179	5,909	8,933	7,659	9,093						
Six years later	105,542	8,048	5,902	8,875	7,630							
Seven years later	105,557	8,039	5,972	8,855								
Eight years later	105,623	7,861	5,964									
Nine years later	105,601	7,861										
Ten years later	107,358											
Gross estimate of undiscounted amount of claims	107,358	7,861	5,964	8,855	7,630	9,093	10,322	13,219	10,139	15,451	10,340	206,232
Cumulative payments to date	106,729	7,861	5,964	8,737	7,578	8,929	10,184	11,242	8,121	11,128	4,627	191,100
Gross undiscounted liabilities for incurred claims	$ 629	$ -	$ -	$ 118	$ 52	$ 164	$ 138	$ 1,977	$ 2,018	$ 4,323	$ 5,713	$ 15,132
Risk adjustment												602
Effects of discounting												(921)
Other attributable expenses												1,088
Total liabilities for incurred claims												**$ 15,901**

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2022

Amounts in $'000	Before 2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At the end of accident year	$ 59,244	$ 6,300	$ 6,355	$ 8,083	$ 7,322	$ 8,931	$ 9,232	$ 12,514	$ 9,812	$ 12,906	$ 9,706	
One year later	58,931	6,459	5,820	7,753	7,193	8,108	8,609	11,818	8,996	12,682		
Two years later	58,637	6,219	5,783	7,405	7,146	7,821	8,327	11,468	9,300			
Three years later	58,515	6,172	5,717	7,042	6,819	8,105	8,189	11,485				
Four years later	58,372	6,247	5,780	6,968	6,745	8,180	8,064					
Five years later	58,367	6,328	5,755	6,943	6,690	8,132						
Six years later	58,374	6,273	5,777	6,909	6,675							
Seven years later	58,375	6,268	5,843	6,919								
Eight years later	79,474	6,097	5,843									
Nine years later	77,228	6,097										
Ten years later	78,433											
Net estimate of undiscounted amount of claims	78,433	6,097	5,843	6,919	6,675	8,132	8,064	11,485	9,300	12,682	9,706	163,336
Cumulative payments to date	78,430	6,097	5,843	6,815	6,644	8,001	7,973	10,609	7,647	10,138	4,627	152,824
Net undiscounted liabilities for incurred claims	$ 4	$ -	$ -	$ 104	$ 31	$ 131	$ 91	$ 876	$ 1,653	$ 2,544	$ 5,079	$ 10,513
Risk adjustment												439
Effects of discounting												(638)
Other attributable expenses												602
Total liabilities for incurred claims												**$ 10,916**

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

b) Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk 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 principal and interest when due. The Company is exposed to credit risk relating to its fixed income holdings in its investment portfolio and the reliance on its reinsurer to make payment when certain loss conditions are met. Amounts due from policyholders 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.

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 67% (2022 - 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.

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. 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. 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.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

b) Financial risk management (continued)

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:

	2023					
	Rating *					
	AAA	**AA**	**A**	**BBB**	**Not rated**	**Total**
Reinsurance contract assets	**$ -**	**$ -**	**$ 3,823,688**	**$ -**	**$ -**	**$ 3,823,688**
GIC's	**-**	**6,250,000**	**1,500,000**	**-**	**750,000**	**8,500,000**
Bonds	**-**	**-**	**-**	**-**	**2,400,000**	**2,400,000**
Pooled funds - Canadian fixed income	**2,156,763**	**1,512,206**	**9,963,239**	**7,855,239**	**11,306**	**21,498,753**
Pooled funds - Commercial mortgages	**205,644**	**287,807**	**121,122**	**-**	**-**	**614,573**
	$2,362,407	**$ 8,050,013**	**$ 15,408,049**	**$ 7,855,239**	**$ 3,161,306**	**$ 36,222,441**

	2022					
	Rating *					
	AAA	AA	A	BBB	Not rated	Total
Reinsurance contract assets	$ -	$ -	$ 4,717,455	$ -	$ -	$ 4,717,455
GIC's	-	5,500,000	-	-	2,500,000	8,000,000
Bonds	-	-	-	-	2,400,000	2,400,000
Pooled funds - Canadian fixed income	1,452,310	2,427,000	6,794,979	5,337,949	-	16,012,238
Pooled funds - Commercial mortgages	573,601	278,695	43,865	31,616	-	927,777
	$ 2,025,911	$ 8,205,695	$ 11,556,299	$ 5,369,565	$ 4,900,000	$ 31,129,693

* or equivalent

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.

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. The Company has no material commitments for capital expenditures. Claim payments are funded by current operating cash flows 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.

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 as the expected undiscounted cash flows (principal and interest) and are analyzed by their expected payment dates.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

b) Financial risk management (continued)

	2023				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	$ 4,815	$ -	$ -	$ -	$ 4,815
Investments and accrued interest	7,901	7,401	7,545	27,333	50,180
	$ 12,716	$ 7,401	$ 7,545	$ 27,333	$ 54,995
Insurance assets					
Reinsurance contract assets	2,319	1,032	519	144	4,014
Total assets	$ 15,035	$ 8,433	$ 8,064	$ 27,477	$ 59,009
Insurance liabilities					
Insurance contract liabilities	$ 9,503	$ 3,256	$ 1,339	$ 294	$ 14,392
Financial liabilities					
Accounts payable and accrued liabilities	247	-	-	-	247
Total liabilities	$ 9,750	$ 3,256	$ 1,339	$ 294	$ 14,639
Net liquidity gap	$ 5,285	$ 5,177	$ 6,725	$ 27,183	$ 44,370
Cumulative liquidity gap	$ 5,285	$ 10,462	$ 17,187	$ 44,370	

	2022				
	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	$ 3,132	$ -	$ -	$ -	$ 3,132
Investments and accrued interest	10,108	3,993	6,343	25,203	45,647
	$ 13,240	$ 3,993	$ 6,343	$ 25,203	$ 48,779
Insurance assets					
Reinsurance contract assets	3,515	783	243	281	4,822
Total assets	$ 16,755	$ 4,776	$ 6,586	$ 25,484	$ 53,601
Insurance liabilities					
Insurance contract liabilities	$ 9,922	$ 3,082	$ 1,560	$ 735	$ 15,299
Financial liabilities					
Accounts payable and accrued liabilities	160	-	-	-	160
Total liabilities	$ 10,082	$ 3,082	$ 1,560	$ 735	$ 15,459
Net liquidity gap	$ 6,673	$ 1,694	$ 5,026	$ 24,749	$ 38,142
Cumulative liquidity gap	$ 6,673	$ 8,367	$ 13,393	$ 38,142	

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.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

b) Financial risk management (continued)

Market 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.

i) Currency risk

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.

ii) Interest rate risk

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

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 and long-term with short-term interest rate fluctuations creating gains or losses in profit or loss.

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

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

		2023		2022	
	Change in interest rate	**Effect on Net Profit $'000**	**Effect on Equity $'000**	Effect on Net Profit $'000	Effect on Equity $'000
Insurance and reinsurance contracts	+ 100 bps	(113)	(113)	(151)	(151)
Debt instruments	+ 100 bps	1,390	1,390	1,001	1,001
Insurance and reinsurance contracts	- 100 bps	117	117	157	157
Debt instruments	- 100 bps	(1,390)	(1,390)	(1,001)	(1,001)

iii) Equity risk

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, 2023, 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 $Nil (2022 - $589,400), the Commercial Mortgage pooled fund of $696,900 (2022 - $846,900), and the equity pooled funds of $1,015,800 (2022 - $443,700). 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 total portfolio.

Equities are monitored by the Board of Directors and holdings are adjusted following each quarter to ensure the investment 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.

5 INVESTMENTS

	December 31, 2023		December 31, 2022	
	Cost	**Fair Value**	Cost	Fair Value
GIC's	**$ 8,500,000**	**$ 8,500,000**	$ 8,000,000	$ 8,000,000
Bonds - Collectivfide - not rated	**$ 2,400,000**	**$ 2,400,000**	$ 2,400,000	$ 2,400,000
Mutual funds				
Canadian equity	$ -	$ -	$ 3,941,487	$ 4,882,018
US equity	-	-	1,053,240	1,012,080
	$ -	$ -	$ 4,994,727	$ 5,894,098
Pooled funds				
Canadian equity	**$ 9,966,120**	**$ 10,158,133**	$ 4,513,403	$ 4,437,388
Canadian fixed income	**22,439,484**	**21,498,753**	17,893,352	16,012,238
Commercial mortgages	**7,057,569**	**6,969,473**	8,759,778	8,468,556
	$ 39,463,173	**$ 38,626,359**	$ 31,166,533	$ 28,918,182
Other investments				
Fire Mutuals Guarantee Fund	**$ 41,248**	**$ 41,248**	$ 40,710	$ 40,710
Private equity	**200,001**	**315,399**	200,001	250,034
	$ 241,249	**$ 356,647**	$ 240,711	$ 290,744
Total investments	**$ 50,604,422**	**$ 49,883,006**	$ 46,801,971	$ 45,503,024

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, 2023				
Bonds and GICs	**$ -**	**$ 8,500,000**	**$ 2,400,000**	**$ 10,900,000**
Mutual funds	**-**	**-**	**-**	**-**
Pooled funds	**-**	**38,626,359**	**-**	**38,626,359**
Other investments	**41,248**	**-**	**315,399**	**356,647**
Total	**$ 41,248**	**$ 47,126,359**	**$ 2,715,399**	**$ 49,883,006**
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

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2023 and 2022.

6 INSURANCE AND REINSURANCE CONTRACTS

a) Roll forward of net asset or liability for insurance contracts

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

	2023				
	Liabilities for Remaining Coverage		Liabilities for Incurred Claims		
	Excluding Loss Component	Loss Component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	$ 4,598,901	$ -	$ 15,299,600	$ 601,628	$ 20,500,129
Insurance contract assets, beginning of year	-	-	-	-	-
Net balance (asset) / liability, beginning of year	4,598,901	-	15,299,600	601,628	20,500,129
Insurance revenue	(26,176,565)	-	-	-	(26,176,565)
Insurance service expenses					
Incurred claims and other directly attributable expense	-	-	14,068,545	383,246	14,451,791
Insurance acquisition cash flows amortization	6,310,008	-	-	-	6,310,008
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(2,469,293)	(189,373)	(2,658,666)
Impairment losses recognized during the year	-	-	-	-	-
Reversal of impairment losses recognized during the year	-	-	-	-	-
	6,310,008	-	11,599,252	193,873	18,103,133
Insurance service result	(19,866,557)	-	11,599,252	193,873	(8,073,432)
Insurance finance expenses	-	-	680,737	-	680,737
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of comprehensive income	(19,866,557)	-	12,279,989	193,873	(7,392,695)
Cash flows					
Premiums received	26,722,582	-	-	-	26,722,582
Claims and other directly attributable expenses paid	-	-	(13,187,841)	-	(13,187,841)
Insurance acquisition cash flows	(6,980,584)	-	-	-	(6,980,584)
Total cash flows	19,741,998	-	(13,187,841)	-	6,554,157
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	-	-	-	-	-
Other movements	-	-	-	-	-
Net balance (asset) / liability, end of year	4,474,342	-	14,391,748	795,501	19,661,591
Insurance contract liabilities, end of year	4,474,342	-	14,391,748	795,501	19,661,591
Insurance contract assets, end of year	-	-	-	-	-
Net balance (asset) / liability, end of year	$ 4,474,342	$ -	$ 14,391,748	$ 795,501	$ 19,661,591

*PVFCF refers to present value of future cash flows

6 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

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

	2022				
	Liabilities for Remaining Coverage		Liabilities for Incurred Claims		
	Excluding Loss Component	Loss Component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	$ 4,350,265	$ -	$ 16,008,223	$ 737,521	$ 21,096,009
Insurance contract assets, beginning of year	-	-	-	-	-
Net balance (asset) / liability, beginning of year	4,350,265	-	16,008,223	737,521	21,096,009
Insurance revenue	(24,620,368)	-	-	-	(24,620,368)
Insurance service expenses					
Incurred claims and other directly attributable expense	-	-	12,576,976	206,295	12,783,271
Insurance acquisition cash flows amortization	5,570,192	-	-	-	5,570,192
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes that relate to past service - adjustments to the LIC	-	-	(570,043)	(342,188)	(912,231)
Impairment losses recognized during the year	-	-	-	-	-
Reversal of impairment losses recognized during the year	-	-	-	-	-
	5,570,192	-	12,006,933	(135,893)	17,441,232
Insurance service result	(19,050,176)	-	12,006,933	(135,893)	(7,179,136)
Insurance finance expenses	-	-	(189,470)	-	(189,470)
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of comprehensive income	(19,050,176)	-	11,817,463	(135,893)	(7,368,606)
Cash flows					
Premiums received	25,022,375	-	-	-	25,022,375
Claims and other directly attributable expenses paid	-	-	(12,526,086)	-	(12,526,086)
Insurance acquisition cash flows	(5,723,563)	-	-	-	(5,723,563)
Total cash flows	19,298,812	-	(12,526,086)	-	6,772,726
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	-	-	-	-	-
Other movements	-	-	-	-	-
Net balance (asset) / liability, end of year	4,598,901	-	15,299,600	601,628	20,500,129
Insurance contract liabilities, end of year	4,598,901	-	15,299,600	601,628	20,500,129
Insurance contract assets, end of year	-	-	-	-	-
Net balance (asset) / liability, end of year	$ 4,598,901	$ -	$ 15,299,600	$ 601,628	$ 20,500,129

*PVFCF refers to present value of future cash flows

6 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

b) Reinsurance contacts

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

	2023				
	Assets for Remaining Coverage		Assets Recoverable on Incurred Claims		
	Excluding Loss Recovery Component	Loss Recovery Component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	$ (268,267)	$ -	$ 4,822,898	$ 162,825	$ 4,717,456
Reinsurance contract assets, beginning of year	-	-	-	-	-
Net balance (asset) / liability, beginning of year	(268,267)	-	4,822,898	162,825	4,717,456
An allocation of reinsurance premiums	(4,666,793)	-	-	-	(4,666,793)
Amounts recoverable from reinsurers for incurred claim					
Amounts recoverable for claims and other expenses	-	-	1,660,329	74,040	1,734,369
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claim	-	-	(785,627)	(40,990)	(826,617)
Net income (expenses) from reinsurance contracts held	(4,666,793)	-	874,702	33,050	(3,759,041)
Reinsurance finance income	-	-	167,463	-	167,463
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of comprehensive income	(4,666,793)	-	1,042,165	33,050	(3,591,578)
Cash flows					
Premiums paid	4,629,584	-	-	-	4,629,584
Amounts received	-	-	(1,850,195)	-	(1,850,195)
Total cash flows	4,629,584	-	(1,850,195)	-	2,779,389
Other movements	-	-			
Net balance (asset) / liability, end of year	(305,476)	-	4,014,868	195,875	3,905,267
Reinsurance contract liabilities, end of year	-	-	-	-	-
Reinsurance contract assets, end of year	(305,476)	-	4,014,868	195,875	3,905,267
Net balance (asset) / liability, end of year	$ (305,476)	$ -	$ 4,014,868	$ 195,875	$ 3,905,267

*PVFCF refers to present value of future cash flows

6 INSURANCE AND REINSURANCE CONTRACTS (CONTINUED)

b) Reinsurance contacts (continued)

	2022				
	Assets for Remaining Coverage		Assets Recoverable on Incurred Claims		
	Excluding Loss Recovery Component	Loss Recovery Component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	$ (266,064)	$ -	$ 6,270,337	$ 399,866	$ 6,404,139
Reinsurance contract assets, beginning of year	-	-	-	-	-
Net balance (asset) / liability, beginning of year	(266,064)	-	6,270,337	399,866	6,404,139
An allocation of reinsurance premiums	(3,817,244)	-	-	-	(3,817,244)
Amounts recoverable from reinsurers for incurred claim					
Amounts recoverable for claims and other expenses	-	-	499,688	53,131	552,819
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claim	-	-	(487,664)	(290,172)	(777,836)
Net income (expenses) from reinsurance contracts held	(3,817,244)	-	12,024	(237,041)	(4,042,261)
Reinsurance finance income	-	-	(144,690)	-	(144,690)
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of comprehensive income	(3,817,244)	-	(132,666)	(237,041)	(4,186,951)
Cash flows					
Premiums paid	3,815,041	-	-	-	3,815,041
Amounts received	-	-	(1,314,773)	-	(1,314,773)
Total cash flows	3,815,041	-	(1,314,773)	-	2,500,268
Other movements	-	-			
Net balance (asset) / liability, end of year	(268,267)	-	4,822,898	162,825	4,717,456
Reinsurance contract liabilities, end of year	-	-	-	-	-
Reinsurance contract assets, end of year	(268,267)	-	4,822,898	162,825	4,717,456
Net balance (asset) / liability, end of year	$ (268,267)	$ -	$ 4,822,898	$ 162,825	$ 4,717,456

*PVFCF refers to present value of future cash flows

7 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment

		2023			2022
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Land	N/A	**$ 358,550**	**$ -**	**$ 358,550**	$ 358,550
Buildings	40 years	**3,212,201**	**254,400**	**2,957,801**	3,038,101
Computer hardware	5 years	**84,840**	**44,250**	**40,590**	40,763
Furniture and fixtures	10 years	**430,936**	**238,673**	**192,263**	229,114
Vehicles	6 years	**54,573**	**36,698**	**17,875**	25,533
		$ 4,141,100	**$ 574,021**	**$ 3,567,079**	$ 3,692,061

Intangible assets

		2023			2022
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Market retention and customer related costs	10 years	**$ 560,000**	**$ 560,000**	**$ -**	$ 56,000

8 INSURANCE REVENUE

	2023	2022
Gross written premiums	$ 27,022,824	$ 25,030,222
Catastrophe reinsurance premium assumed	131,003	100,222
Change in unearned premiums	(1,141,487)	(658,740)
Service charge income	164,225	148,665
	$ 26,176,565	$ 24,620,368

9 INSURANCE SERVICE EXPENSES

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

	2023	2022
Claims and adjustment expenses	$ 10,022,130	$ 9,888,975
Salaries, benefits and directors' fees	2,427,726	1,798,662
Professional fees	85,716	79,937
Legal fees	14,915	7,822
Commissions	5,460,013	5,043,266
Depreciation and amortization	207,308	206,640
Occupancy costs	127,209	93,956
Information technology	783,547	725,223
Other general expenses - Office and general	344,049	313,879
Other general expenses - Marketing & miscellaneous	267,083	250,076
Other general expenses - Licenses & membership fees	189,073	135,511
Total	$ 19,928,769	$ 18,543,947
Represented by:		
Insurance service expenses	$ 18,103,133	$ 17,441,232
General and operating expenses	1,825,636	1,102,715
Total	$ 19,928,769	$ 18,543,947

10 INVESTMENT INCOME AND EXPENSES

	2023	2022
Interest income	$ 1,662,181	$ 1,012,012
Dividend and other income	699,845	389,075
Investment fees	(190,481)	(202,201)
Realized gains (losses) on disposal of investments	757,926	47,548
Changes in unrealized gains (losses)	577,530	(3,165,954)
	$ 3,507,001	$ (1,919,520)

11 INCOME TAXES

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

	2023	2022
Current tax		
Based on current year taxable income (loss)	$ 1,337,106	$ (61,011)
Adjustments for over / under provision in prior periods	-	-
	$ 1,337,106	$ (61,011)
Deferred tax		
Origination and reversal of temporary differences	$ 2,400	$ (8,000)
Total tax effect of amounts recorded in other income	$ 1,339,506	$ (69,011)

11 INCOME TAXES (CONTINUED)

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26% (2022 - 26%) are as follows:

	2023	2022
Comprehensive income (loss) for the year before taxes	**$ 5,482,481**	$ 159,420
Expected taxes based on the statutory rate of 26% (2022 - 26%)	**1,410,766**	11,196
Non-deductible portion of claims liabilities	**(3,364)**	14,350
Other non-deductible expenses	**809**	692
Capital cost allowance in excess of depreciation	**(9,778)**	(16,432)
Cumulative eligible capital	**14,410**	14,840
Canadian dividend income not subject to tax	**(75,736)**	(44,095)
Other- IFRS 17 change to net income	**0**	(41,562)
	$ 1,337,106	$ (61,011)

The movement in 2023 deferred tax liabilities and assets are:

	Opening balance at Jan 1, 2023	**Recognize in comprehensive income**	**Closing balance at Dec 31, 2023**
Deferred tax liabilities			
Property and equipment	$ (118,450)	$ (6,050)	**$ (124,500)**
Deferred tax liability	$ (118,450)	$ (6,050)	**$ (124,500)**
Deferred tax assets			
Claims liabilities	$ 147,450	$ (3,450)	**$ 144,000**
Intangible assets	46,800	7,100	**53,900**
Deferred tax assets	$ 194,250	$ 3,650	**$ 197,900**
2023 net deferred tax asset movement	$ 75,800	$ (2,400)	**$ 73,400**

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 assets	$ 173,100	$ 21,150	**$ 194,250**
2022 net deferred tax asset movement	$ 67,800	$ 8,000	**$ 75,800**

	2023	2022
Deferred tax liabilities to be settled after more than 12 months	**$ (124,500)**	$ (118,450)
Deferred tax assets to be recovered after more than 12 months	**197,900**	194,250
Net deferred tax asset	**$ 73,400**	$ 75,800

12 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 risk 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 the requirement and deemed necessary.

13 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.

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 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 2023 was $170,660 (2022 - $144,095). 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 $181,500, 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 short fall 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:

	2023	2022
Compensation		
Salaries, wages and short term employee benefits and directors' fees	$ 722,465	$ 564,960
Total pension and other post-employment benefits	44,517	52,556
	$ 766,982	$ 617,516
Premiums	$ 67,762	$ 69,184
Claims paid	$ 39,384	$ (3,138)

No amounts were owing to and from key management personnel.

17 STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

We are not aware of any standards, amendments and interpretations not yet effective that are expected to have a material impact on the Company's financial statements.