GRENVILLE
Mutual Insurance

Financial Statements

And Independent Auditor’s Report thereon

Year ended December 31, 2023

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa, ON K2P 2P8
Canada
Telephone 613 212 5764
Fax 613 212 2896

INDEPENDENT AUDITOR'S REPORT

To the Policyholders of Grenville Mutual Insurance Company

Opinion

We have audited the financial statements of Grenville Mutual Insurance Company (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of comprehensive income (loss) for the year then ended
- the statement of accumulated surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at end of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Changes in Accounting Policies and Comparative Information

We draw your attention to Note 1(e) to the financial statements, which explains the adjustment of policyholders' surplus as at January 1, 2023 as a result of a retrospective adoption of a change in accounting policy with cumulative impact with respect to IFRS 9.

We also draw attention to Note 1(e) to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 17:

- as at and for the year ended December 31, 2022 has been adjusted;
- as at January 1, 2022 has been derived from the financial statements for the year ended December 31, 2021 which have been adjusted (not presented herein).

Note 1(e) explains the reason for the adjustments.

Our opinion is not modified in respect of these matters.

Other Matter – Changes in Accounting Policies and Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we audited the adjustments that were applied to policyholders' surplus as at January 1, 2023.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to adjust certain comparative information presented:

- as at and for the year ended December 31, 2022;
- as at January 1, 2022.

In our opinion, such adjustments are appropriate and have been properly applied.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

February 21, 2024

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Financial Position

December 31, 2023, with comparative information for December 31, 2022 and January 1, 2022

	December 31, 2023	December 31, 2022	January 1, 2022
		(Restated)	(Restated)
Assets			
Cash	$ 1,858,736	$ 5,655,616	$ 2,814,219
Investments (note 5)	44,577,232	45,382,765	45,861,572
Accrued investment income	143,082	153,732	153,354
Income taxes receivable	–	848,152	–
Reinsurance contract assets (note 8)	15,689,891	17,210,996	13,250,278
Prepaid expenses	–	66,138	43,308
Deferred income taxes (note 12(b))	444,532	586,290	–
Property and equipment (note 7)	4,294,137	4,479,106	4,771,690
Intangible assets	–	–	8,136
	67,007,610	74,382,795	66,902,557
Liabilities and Policyholders' Surplus			
Accounts payable and accrued liabilities	763,308	444,062	502,505
Income taxes payable	99,841	–	836,755
Deferred income taxes payable (note 12(b))	–	–	101,457
Insurance contract liabilities (note 8)	30,579,011	39,493,567	27,112,660
	31,442,160	39,937,629	28,553,377
Policyholders' surplus	35,565,450	34,445,166	38,349,180
Commitment (note 17)			
	$ 67,007,610	$ 74,382,795	$ 66,902,557

See accompanying notes to financial statements.

On behalf of the Board:

________________ Director

________________ Director

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Comprehensive Income (Loss)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated)
Insurance revenue (note 8)	$ 35,186,195	$ 33,404,297
Insurance service expense (note 10)	(33,948,824)	(50,512,582)
Insurance service results before reinsurance contracts held	1,237,371	(17,108,285)
Net income from reinsurance contracts held (note 8)	3,322,029	15,296,645
Insurance service results	4,559,400	(1,811,640)
Insurance finance income (expense) (note 8)	(1,278,687)	186,634
Reinsurance finance income (expense) (note 8)	531,803	(96,254)
Net insurance financial results	(746,884)	90,380
Net investment income (loss) (note 11)	2,772,697	(680,672)
General and operating expenses	(2,964,864)	(3,026,584)
Earnings (loss) before income taxes	3,620,349	(5,428,516)
Income taxes (note 12):		
Current expense (reduction)	99,841	(836,755)
Deferred expense (reduction)	141,758	(687,747)
	241,599	(1,524,502)
Total comprehensive income (loss)	$ 3,378,750	$ (3,904,014)

See accompanying notes to financial statements.

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated)
Balance, beginning of year	$ 34,445,166	$ 37,379,890
Impact of initial application of IFRS 17 (note 1a)	–	969,290
Impact of initial application of IFRS 9	(2,258,466)	–
Balance, beginning of year, restated	32,186,700	38,349,180
Total comprehensive income (loss)	3,378,750	(3,904,014)
Balance, end of year	$ 35,565,450	$ 34,445,166

See accompanying notes to financial statements.

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated)
Cash provided by (used in):		
Operating activities:		
Total comprehensive income (loss)	$ 3,378,750	$ (3,904,014)
Items not involving cash:		
Depreciation of property and equipment (note 7)	218,433	348,899
Amortization of intangible assets	–	8,136
Amortization of discounts and premiums on bonds and debentures	–	27,294
Loss (gain) on investments	(1,387,625)	2,204,982
Deferred income tax expense (reduction) (note 12)	141,758	(687,747)
Change in non-cash operating working capital (note 13)	1,344,027	(1,795,435)
Change in insurance contract related balances (note 13)	(7,393,451)	8,420,189
	(3,698,108)	4,622,304
Investing activities:		
Additions to property and equipment	(33,464)	(27,438)
Purchase of investments	(2,913,128)	(4,303,469)
Proceeds on sales and maturities of investments	2,847,820	2,550,000
	(98,772)	(1,780,907)
Increase (decrease) in cash	(3,796,880)	2,841,397
Cash, beginning of year	5,655,616	2,814,219
Cash, end of year	$ 1,858,736	$ 5,655,616

See accompanying notes to financial statements.

Grenville Mutual Insurance Company (the "Company") is incorporated without share capital under the laws of Ontario as a mutual insurance company. The Company is subject to the Insurance Act (Ontario) and is licensed to write all classes of insurance other than life and surety in Ontario. The Company's registered head office is located at 380 Colonnade Drive, Kemptville, Ontario.

The Company's automobile rates and rules are subject to regulation by the Financial Services Regulatory Authority of Ontario ("FSRA"). Any change in the automobile insurance premium rates or rules must be approved by the Authority. Approximately 18.3% (2022 – 18.8%) of the insurance revenue were automobile and subject to rate regulation.

1. Basis of presentation

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis, except for investments which are measured at fair value and insurance contract assets and liabilities which are measured using acceptable actuarial practices.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is discussed in note 3.

1. Basis of presentation (continued):

(e) Changes in accounting policies and disclosures:

The Company has applied IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* for the first time in these financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Company has also applied amendments to IAS 1 – *Disclosure of Accounting Policies* which is effective January 1, 2023. The amendments require the Company to disclose its material accounting policies, rather than its' significant accounting policies.

IFRS 17 Insurance contracts:

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

The Company has applied IFRS 17 as of January 1, 2023, and restated comparative information for 2022. The nature of the changes in accounting policies can be summarized, as follows:

(i) Changes to classification, recognition, 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. It introduces a model that measures groups of insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty related to insurance contracts.

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") due to all insurance and reinsurance contracts having coverage periods of 1 year or less. The PAA simplifies the measurement of insurance contracts in comparison with the General Measurement Model ("GMM") 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:

- Measurement of the Liability for Remaining Coverage ("LFRC") is adjusted to include a loss component to reflect the expected loss from onerous contracts, if any.
- Measurement of the Liability for Incurred Claims ("LFIC") (previously called Provision for Unpaid Claims and Adjusting 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.

1. Basis of presentation (continued):

(e) Changes in accounting policies and disclosures (continued):

IFRS 17 Insurance contracts (continued):

(i) Changes to classification, recognition, and measurement (continued):

- Measurement of the Asset for Remaining Coverage ("AFRC") (reflecting reinsurance premiums paid for reinsurance contracts held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses, if any, where such contracts reinsure onerous direct contracts.
- The Company continues to defer insurance acquisition cash flows for all product lines over the contract boundary. Under IFRS 4, the Company only included commissions and premium taxes in insurance acquisition cash flows. Under IFRS 17, the Company is now required to include any costs arising from the selling, underwriting and starting a group of insurance contracts to which the group belongs. 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, recognition, and measurement of insurance and reinsurance contracts is explained in note 2(a).

(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 deferred insurance acquisition cash flows.

1. Basis of presentation (continued):

(e) Changes in accounting policies and disclosures (continued):

IFRS 17 Insurance contracts (continued):

(ii) Changes to presentation and disclosure (continued):

The presentation in the statement of comprehensive income (loss) has changed significantly from IFRS 4 as follows:

IFRS 4 **The Company presented:**	**IFRS 17** **Requires presentation of:**
Premium written Changes in unearned premiums Service fee revenue	Insurance revenue
Gross claims and adjusting expenses Commission Premium taxes	Insurance service expenses
Premiums ceded to reinsurer Reinsurer's share of claims and adjustment expenses	Net Income (expense) from reinsurance contracts held
Net underwriting income (loss)	Insurance service results **<u>Note</u>** Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under Net insurance financial result.

(iii) Transition:

On transition date, January 1, 2022, the Company:

- Identified, recognized, and measured each group of insurance contracts as if IFRS 17 had always been applied,
- Derecognized any existing balances that would not qualify under IFRS 17 had IFRS 17 always been applied,
- Recognized any resulting net difference in Policyholders' surplus.

1. **Basis of presentation (continued):**

(e) Changes in accounting policies and disclosures (continued):

IFRS 17 Insurance contracts (continued):

(iii) Transition (continued):

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

		Impact of IFRS 17		
	IFRS 4	Presentation	Measurement	IFRS 17
As at January 1, 2022:				
Total assets	$ 81,076,909	$ (14,021,190)	$ (153,163)	$ 66,902,557
Total liabilities	(43,697,019)	14,021,190	1,122,453	(28,553,377)
Policyholders' surplus	(37,379,890)	–	(969,290)	(38,349,180)

As at January 1, 2022:	
Discount rate and risk adjustment methodology changes	862,863
Deferral of insurance acquisition cash flows	455,899
Deferred taxes	(349,472)
	$ 969,290

IFRS 9 Financial Instruments:

On January 1, 2023, the Company adopted IFRS 9, Financial Instruments, replacing IAS 39, Financial Instruments. The standard includes requirements on classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). It eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

For financial liabilities, IFRS 9 largely retains the IAS 39 classification for classification for financial liabilities which can be measured at either amortized cost or FVTPL.

1. Basis of presentation (continued):

(e) Changes in accounting policies and disclosures (continued):

IFRS 9 Financial Instruments (continued):

In accordance with the transitional provisions provided by IFRS 9, the Company did not restate prior periods and did not elect to apply the overlay approach. Instead, certain financial assets and liabilities held as at January 1, 2023 were remeasured and reclassified retrospectively through adjustments to the Statement of Financial Position, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. Accordingly, the Company will continue to report under IAS 39 for the comparative fiscal year of 2022.

The table below presents the classifications and carrying amount of financial assets previously measured under IAS 39, and following transition to IFRS 9. The Company recognized the impacts of adoption through a decrease of $2,258,467 to policyholders' surplus on January 1, 2023.

	IAS 39 Classification		IFRS 9 Classification	
	December 31, 2022		January 1, 2023	
Cash	Loans and receivable	$ 5,655,616	Amortized cost	$ 5,655,616
Accrued investment income	Loans and receivable	153,732	Amortized cost	153,732
Investments:				
Bonds and debentures	Held to maturity	28,028,830	FVTPL	25,770,363
Marketable securities	FVTPL	15,550,699	FVTPL	15,550,699
Equity investment in private company	FVTPL	1,750,233	FVTPL	1,750,233
Fire Mutual Guarantee Fund	FVTPL	53,003	FVTPL	53,003
		$ 51,192,113		$ 48,933,646

The adoption of IFRS 9 had no significant impact on the Company's classification or measurement of other financial assets or financial liabilities.

The introduction of the IFRS 9 expected credit loss ("ECL") model, which replaced the IAS 39 incurred loss model, and the new general hedge accounting standard did not have a significant impact upon transition for the Company.

2. Material accounting policies:

(a) 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 policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident. The Company also hold reinsurance contracts with a reinsurance company under which it is reimbursed for claim amounts arising from one or more insurance contracts that are over the Company's retention.

(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 standard instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the host insurance contract.

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

(iii) Levels of aggregation:

IFRS 17 requires a company to determine the level of aggregation for applying its requirements The level of aggregation for the Company is determined first by dividing the business written into portfolios. Portfolios are comprised of groups of contracts with similar risks which are managed together. Management uses judgement in establishing its various portfolios by considering whether contracts are managed together, the risk similarities through geography, and the intent and use of the insured property. 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.

2. Material accounting policies (continued):

(a) Insurance and reinsurance contracts accounting treatment (continued):

(iii) Levels of aggregation (continued):

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on pricing information, results of similar contracts it has recognized, and environmental factors, e.g., a change in market experience or regulations.

The Company divides reinsurance contracts held into portfolios by applying the same principles set out above, except that the references to onerous contracts now refers to contracts on which there is a net gain on initial recognition instead of a net loss as would be the case with insurance contracts. For some groups of reinsurance contracts held, a group can be comprised of 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; and
- For a group of onerous contracts, when the group becomes onerous

The Company recognizes a group of reinsurance contracts held 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 at or before that date.

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

2. Material accounting policies (continued):

(a) Insurance and reinsurance contracts accounting treatment (continued):

(v) Contract boundary:

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

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

(vi) Measurement – Premium Allocation Approach:

	IFRS 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	The PAA can be adopted as a simplified approach to the IFRS 17 GMM, when insurance contracts have: 1) a coverage period of 1 year or less; or 2) the entity reasonably expects that such simplification would result in no material difference in the liability for remaining coverage measured under either the PAA or the GMM 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. Management uses judgement in determining the drivers used to allocate indirect and direct costs to groups of insurance contracts.

2. Material accounting policies (continued):

(a) Insurance and reinsurance contracts accounting treatment (continued):

(vi) Measurement – Premium Allocation Approach (continued):

	IFRS 17 Options	Adopted approach
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.
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 or loss.

(vii) Insurance contracts – initial measurement:

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,
- Minus 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 component 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 groups depicting the losses recognized.

2. Material accounting policies (continued):

(a) Insurance and reinsurance contracts accounting treatment (continued):

(viii) Reinsurance contracts held– initial measurement:

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as its insurance contracts that it issues (i.e. the PAA). However, the approach is adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued. For example, the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

(ix) Insurance contracts – subsequent measurement:

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

- Plus premiums received in the period
- Minus insurance acquisition cash flows
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows 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, 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.

2. Material accounting policies (continued):

(a) Insurance and reinsurance contracts accounting treatment (continued):

(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. Insurance acquisition cash flows are allocated, on a straight-line basis in proportion to insurance premiums earned, to profit or loss (through insurance service expense).

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.

(xii) Presentation:

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

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

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

2. Material accounting policies (continued):

(a) Insurance and reinsurance contracts accounting treatment (continued):

(xiii) Insurance revenue:

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

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

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

(xiv) Loss components:

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

(xv) Loss-recovery components:

As described in note 2(a)(vii), 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.

2. Material accounting policies (continued):

(a) Insurance and reinsurance contracts accounting treatment (continued):

(xvi) Insurance and reinsurance finance income and expense:

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

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

The Company does not separately present on the face of the statement comprehensive income (loss) the amounts expected to be recovered from reinsurers, and the reinsurance premiums paid. Instead, the Company presents reinsurance cash flows as part of the Net income (expense) from reinsurance contracts held line item.

(b) Financial instruments:

(i) Financial assets:

a. Classification and measurement of financial instruments:

Financial assets are classified as fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”), or amortized cost based on their characteristics and purpose of their acquisition.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial assets is measured at amortized cost if both of the following conditions are met and is not designated as at FVTPL:

- It is held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

A financial asset is measured at FVOCI if both of the following conditions are met:

- It is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets.
- Its contractual terms of the financial asset meet the SPPI test.

2. Material accounting policies (continued):

(b) Financial instruments (continued):

(i) Financial assets:

a. Classification and measurement of financial instruments (continued):

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designated a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company classifies financial assets into the following categories:

- Financial assets at FVTPL or designated as FVTPL:
  - Investments
- Financial assets at amortized cost:
  - Cash
  - Accrued investment income,
  - Receivables

The Company measures all invested assets as FVTPL. Invested assets were evaluated according to their business model in which they are managed and their contractual cash flow characteristics, specifically assessing whether cash flows represent solely payments of principal and interest (SPPI). Those that do not meet the SPPI test are required to be measured at FVTPL.

The Company has elected to measure its investments in bonds and debentures at FVTPL, as this significantly reduces the accounting mismatch arising from any measurement inconsistency between total assets and liabilities. This resulted in the reclassification of these assets previously carried at amortized cost.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss.

The 2022 comparative period amounts presented for invested assets are on an IAS 39 basis as IFRS 9 was adopted January 1, 2023. Note 1(e) presents a comparison of the classification under each standard. Invested assets are accounted for on the following basis for the 2023 reporting year:

2. **Material accounting policies (continued):**

(b) Financial instruments (continued):

(i) Financial assets (continued):

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximize returns.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors.

Reclassification of financial assets and liabilities:

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

(ii) Derecognition:

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either i) the Company has transferred substantially all the risks and rewards of the asset; or ii) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

(iii) Impairment of financial assets:

The Company recognises loss allowances for expected credit losses (ECL) on financial assets not classified as FVTPL. The Exchange measures loss allowances at an amount equal to lifetime ECL, except on other financial instruments for which the credit risk has not increased significantly since initial recognition, for which the amount recognised is the 12-month ECL.

2. Material accounting policies (continued):

(b) Financial instruments (continued):

(iii) Impairment of financial assets (continued):

The Company assesses at each reporting date whether a financial asset or group of financial assets, other than financial assets at FVTPL, is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When there is evidence of impairment, the value of these financial instruments is written down to the estimated net realizable value through investment income in the statement of comprehensive income.

(iv) Financial liabilities:

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest rate method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Financial liabilities are comprised of accounts payable and accrued liabilities. The estimated fair value of financial liabilities approximate their carrying values due to the relatively short-term nature of the instruments.

(v) Investment income:

Dividend income is recognized when the right to receive payment is established. Interest income comprises amounts calculated using both the effective interest method and other methods. This includes interest on all financial assets measured at FVTPL, using the contractual interest rate.

(c) Property and equipment:

Property and equipment are initially recorded at cost and subsequently measured at cost less depreciation and accumulated impairment losses, if any, with the exception of land which is not depreciated.

2. Material accounting policies (continued):

(c) Property and equipment (continued):

Depreciation is recognized within profit and loss, and is provided using the following methods and annual rates:

Asset	Method	Rate
Office premises	Straight-line	2 ½%
Building service equipment	Straight-line	5% to 10%
Parking lot	Straight-line	5%
Furniture and office equipment	Straight-line	20%
Computer equipment	Straight-line	33 ⅓%
Automobiles	Declining balance	30%

Amortization methods, rates and residual values are reviewed annually and adjusted if necessary.

(d) Impairment of non-financial assets:

Property and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Income taxes:

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Material accounting policies (continued):

(e) Income taxes (continued):

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

3. Critical accounting estimates and judgments:

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

Significant judgements:

i) Level of aggregation of insurance and reinsurance contracts. Identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. See note 2(a)(iii).

ii) Measurement of insurance and reinsurance contracts. Determining the techniques for estimating risk adjustments for non-financial risk and the coverage usings provided under a contract. See notes 2(a)(vii) and 2(a)(viii).

Estimates and assumptions:

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Insurance contracts:

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

(i) Liability for remaining coverage:

a. 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. Risk adjustment:

The company now includes an explicit risk adjustment for non-financial risk.

3. Critical accounting estimates and judgments (continued):

(a) Insurance contracts (continued):

(i) Liability for remaining coverage (continued):

c. Cashflow estimations:

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary. The Company incorporates all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows.

(ii) Liability for incurred claims:

The Company establishes claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company.

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

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

3. Critical accounting estimates and judgments (continued):

(a) Insurance contracts (continued):

(ii) Liability for incurred claims (continued):

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

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

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

The Company records reinsurance balances on the statement of financial position on a gross basis to indicate the extent of credit related to reinsurance, and records its obligations to policyholders on a net basis in the statement of comprehensive income to indicate the results of its retention of premiums written. Amounts recoverable from reinsurers are estimated in a manner consistent with the related claims liabilities.

(iii) Discount rates:

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid 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 6(d).

3. Critical accounting estimates and judgments (continued):

(a) Insurance contracts (continued):

(iv) Risk adjustment for non-financial risk:

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. 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 68.92% (2022 restated: 57.64%) confidence level.

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in note 16.

(b) Income taxes:

The Company periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available and records its best estimate of any tax liability. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

4. Financial instruments classification:

(a) The carrying amount of the Company's financial instruments by classification under IFRS 9 is as follows:

	IFRS 9			
In thousands of dollars	Fair value through profit and loss	Loans and receivables	Other financial liabilities	Total
December 31, 2023:				
Investments	44,577	–	–	44,577
Accrued investment income	–	143	–	143
Accounts payable and accrued liabilities	–	–	763	763

4. Financial instruments classification (continued):

(a) (continued):

The carrying amount of the Company's financial instruments by classification under IAS 39 is as follows:

In thousands of dollars	Loans and receivables	Fair value through profit and loss	Held to maturity	Other financial liabilities	Total
			IAS 39		
December 31, 2022:					
Investments	–	17,354	28,029	–	45,383
Accrued investment income	154	–	–	–	154
Accounts payable and accrued liabilities	–	–	–	444	444

(b) Additional disclosures:

The following additional disclosure presents the fair value and the amount of change in the fair value of the Company's financial assets as at and for the year ending December 31, 2022, and shows separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding ("Non-SPPI"):

	SPPI		**Non-SPPI**	
In thousands of dollars	Fair value	Change in fair value	Fair value	Change in fair value
Bonds and debentures	25,766	(1,602)	–	–
Pooled, mutual and other funds	–	–	9,792	(687)
Equity	–	–	7,562	(861)
	25,766	(1,602)	17,354	(1,548)

4. Financial instruments classification (continued):

(b) Additional disclosures (continued):

The following additional disclosure presents the credit risk ratings of SPPI financial assets at December 31, 2022:

In thousands of dollars			
Credit rating	Credit risk	Carrying value	Carrying amount % of total
AAA	Low	844	3.0%
AA	Low	11,692	41.7%
A	Low	11,172	39.9%
BBB	Low	4,321	15.4%
		28,029	

5. Investments:

The carrying amounts of investments are summarized as follows:

	IFRS 9		IAS 39	
In thousands of dollars	2023 Fair value	2023 Carrying amount	2022 Fair value	2022 Carrying amount
Bonds and debentures, carried at FVTPL in 2023 and amortized cost in 2022:				
Government of Canada	3,357	3,357	805	844
Canadian provinces and Provincial enterprises	16,313	16,313	17,758	19,248
Canadian municipal and public authorities	828	828	956	995
Canadian corporate	6,507	6,507	6,247	6,942
	27,005	27,005	25,766	28,029
Marketable securities, carried at fair value				
Common shares of Canadian corporations	4,574	4,574	5,232	5,232
Preferred shares of Canadian corporations	624	624	580	580
Canadian Fixed Income Pooled Fund	4,339	4,339	4,055	4,055
Canadian & Global Equity Pooled Funds	6,231	6,231	5,684	5,684
	15,768	15,768	15,551	15,551
Equity investment in private company	1,750	1,750	1,750	1,750
Fire Mutual Guarantee Fund	54	54	53	53
Total	44,577	44,577	43,120	45,383

5. Investments (continued):

All bonds and debentures held by the Company are grouped into Level 2 – fair value measurements derived from inputs from quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The following table provides an analysis of investments that are measured on the statement of financial position 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 using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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).

		IFRS 9		
In thousands of dollars	Level 1	Level 2	Level 3	Total
December 31, 2023:				
Equities	5,198	–	1,750	6,948
Greystone Pooled funds	–	10,570	–	10,570
Fire Mutual Guarantee Fund	–	54	–	54
Bonds and debentures	–	27,005	–	27,005
Total	5,198	37,629	1,750	44,577

		IAS 39		
In thousands of dollars	Level 1	Level 2	Level 3	Total
December 31, 2022:				
Equities	5,812	–	1,750	7,562
Greystone Pooled funds	–	9,739	–	9,739
Fire Mutual Guarantee Fund	–	53	–	53
Total	5,812	9,792	1,750	17,354

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

5. Investments (continued):

The predominate factor used to determine the value of the private equity investment (level 3 category of the fair value hierarchy) was price per share information on recent equity transactions by the investee, along with information on the carrying value or net assets of the private company obtained from the most recently available audited financial statements. Key unobservable inputs of the market value included progress towards operational milestones, valuation assumptions associated with underlying businesses, and any events occurring between the transaction and the measurement date. There were no changes in fair value measurement or purchases or dispositions of holdings by the Company of the investee in fiscal 2023. The difference between the opening balance as at January 1, 2022 and the closing balance as at December 31, 2022 is due to the change in fair value of the financial instrument at fair value through profit and loss.

(a) Credit risk:

The Company is exposed to credit risk resulting from the possibility that other parties may default on their financial obligations. The maximum exposure to this risk with respect to investments is the carrying value of bonds and debentures.

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 through its Conduct Review Committee. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 10% of the Company's total portfolio.

The Company's investment policy permits investment of 75% to 100% of the total portfolio in investment grade fixed income investments and up to 25% of the total portfolio in investment grade Canadian equity investments of which up to 5% can be held in private companies. The Company's investment policy puts limits on the bond and debenture portfolio including portfolio composition limits, issuer type limits, bond quality limits and aggregate issuer limits. The Company limits its holdings in foreign investments to 5% of its total portfolio.

The Company owns investments in the TD Greystone Canadian Equity Fund, the TD Greystone Global Equity Fund, and the TD Greystone Canadian Fixed Income Fund, all managed by TD Global Investments Solutions. The eligible assets of the funds must be invested in publicly traded securities, and except for the TD Greystone Global Equity Fund, no more than 5% may be invested in foreign securities outside of Canada. The Fixed Income Pooled Fund may have assets consisting of government bonds, corporate bonds with a BBB rating or better, Canadian Treasury Bills and preferred shares of corporations whose senior debt is rated A or better.

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

5. Investments (continued):

(b) Market risk:

Market risk is the risk that the fair value of investments or future cash flows from investments will fluctuate as a result of market factors. The significant market risks to which the Company is exposed are interest rate price risk and equity risk.

(i) Interest rate price risk:

The Company's investments in bonds and debentures are FVTPL and as such are exposed to interest rate risk arising from fluctuations in interest rates.

The Company has an investment strategy to hold their bonds and debentures until maturity, and to maintain a laddered structure of maturities to manage interest rate price risk. These strategies help to reduce the sensitivity of the portfolio to the impact of interest rate fluctuations.

At December 31, 2023, a 1% move in interest rates, with all other variables held constant, would impact the fair value of bonds and debentures by $1,196,329 (2022 - $1,221,295) and the value of fixed income pooled funds by $330,183 (2022 - $319,550).

Realized and unrealized gains and losses are recognized in profit and loss during the year.

(ii) Equity risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in the equity markets.

A 10% movement in the stock markets, with all other variables held constant, would have an estimated effect on the fair values of the Company's common shares of $457,417 (2022 - $523,126) and Company's preferred shares of $62,355 (2022 - $58,016).

A 10% movement in the associated benchmark indices, with all other variables held constant, would have an estimated effect on the fair values of the Company's pooled equity funds of $586,106 (2022 - $519,871). Realized and unrealized gains and losses are recognized in income during the year.

Shares have no fixed maturity date and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The Greystone equity pooled funds may have assets consisting of common shares of companies listed on Canadian and Global Stock Exchanges, convertible debentures or convertible preferred shares of eligible common shares, Treasury Bills, warrants of eligible common shares, exchange traded index funds and income trusts with growing underlying assets.

6. Other financial instruments:

(a) Fair values of financial assets and financial liabilities:

The fair values of financial assets and liabilities, other than investments (note 5), and insurance contract liabilities and reinsurance contract assets (note 8), approximate their carrying amounts.

(b) Credit risk:

The Company is exposed to credit risk as all of its reinsurance is placed with Farm Mutual Reinsurance Plan Inc. ("FMRP"), a Canadian registered mutual reinsurer incorporated without share capital, of which the Company is a member. Management monitors the creditworthiness of FMRP by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract. The maximum exposure resulting from this credit risk would be the carrying amount of reinsurance contract asset as reported on the statement of financial position.

The Company's credit exposure to any one individual policyholder included in premiums receivable from policyholders is not material.

Due from other insurers and accrued investment income are short-term in nature and are not subject to material credit risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to fund its obligations as they come due. The Company mitigates liquidity risk by monitoring its cash activities and expected outflows. At December 31, 2023, the Company had $1,858,736 (2022 - $5,655,616) of cash. Canadian fixed-income securities issued or guaranteed by domestic governments and investment grade corporate bonds held by the Company had a carrying value of $27,005,175 as at December 31, 2023 (2022 - $28,028,823). The Company has a demand loan operating facility in the amount of $2,000,000 (2022 - $2,000,000) to finance operating requirements as necessary.

6. Other financial instruments (continued):

(c) Liquidity risk (continued):

The maturity profile of the company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarised in the following table and are based on the contractual cash flow requirements of the instruments.

The maturity profile of the company's insurance and reinsurance contracts included in the table below are analysed by their expected payment dates.

	2023						
	Up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Financial assets:							
Cash	1,858,736	–	–	–	–	–	1,858,736
Investments	3,236,370	3,414,557	3,398,540	2,856,943	2,959,109	16,373,451	32,238,970
Accrued investment income	143,082	–	–	–	–	–	143,082
	5,238,188	3,414,557	3,398,540	2,856,943	2,959,109	16,373,451	34,240,788
Reinsurance assets for incurred claims	10,848,685	3,636,744	1,513,382	(31,551)	(143,030)	232,423	16,056,653
Total financial assets	16,086,873	7,051,301	4,911,922	2,825,392	2,816,079	16,605,874	50,297,441
Financial liabilities:							
Accounts payable and accrued liabilities	763,308	–	–	–	–	–	763,308
Liabilities for incurred claims	17,845,703	4,939,499	2,405,722	703,243	378,912	660,209	26,933,288
Total financial liabilities	18,609,011	4,939,499	2,405,722	703,243	378,912	660,209	27,696,596
Net liquidity gap	(2,522,138)	2,111,802	2,506,200	2,122,149	2,437,167	15,945,665	22,600,845
Cumulative liquidity gap	(2,522,138)	(410,336)	2,095,864	4,218,013	6,655,180	22,600,845	

6. Other financial instruments (continued):

(c) Liquidity risk (continued):

	2022						
	Up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Financial assets:							
Cash	5,655,616	–	–	–	–	–	5,655,616
Investments	2,759,662	3,175,120	2,760,456	3,346,644	2,508,212	17,335,734	31,885,828
Accrued investment income	153,732	–	–	–	–	–	153,732
	8,569,010	3,175,120	2,760,456	3,346,644	2,508,212	17,335,734	37,695,176
Reinsurance assets for incurred claims	12,263,741	3,454,949	817,901	406,433	323,088	265,330	17,531,442
Total financial assets	20,832,751	6,630,069	3,578,357	3,753,077	2,831,300	17,601,064	55,226,618
Financial liabilities:							
Accounts payable and accrued liabilities	444,062	–	–	–	–	–	444,062
Liabilities for incurred claims	26,018,029	4,885,765	1,963,277	1,254,345	884,272	610,770	35,616,458
Total financial liabilities	26,462,091	4,885,765	1,963,277	1,254,345	884,272	610,770	36,060,520
Net liquidity gap	(5,629,340)	1,744,304	1,615,080	2,498,732	1,947,028	16,990,294	19,166,098
Cumulative liquidity gap	(5,629,340)	(3,855,036)	(2,269,956)	228,776	2,175,804	19,166,098	

(d) Interest rate risk:

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

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on earnings (loss) before income taxes, and policyholders' surplus. 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.

6. Other financial instruments (continued):

(d) Interest rate risk (continued):

At December 31, 2023, a 1% move in interest rates, with all other variables held constant will have the following impact.

		2023		2022	
	Change in interest rate	Effect on comprehensive income (loss)	Effect on Policyholders' surplus	Effect on comprehensive income (loss)	Effect on Policyholders' surplus
Insurance and reinsurance contracts, gross	+1%	(280,000)	(205,800)	(328,225)	(241,245)
Insurance and reinsurance contracts, gross	-1%	289,000	212,415	338,797	249,016
Insurance and reinsurance contracts, net	+1%	(147,000)	(108,045)	(173,355)	(127,416)
Insurance and reinsurance contracts, net	-1%	153,000	112,455	179,290	131,778

The change during the period would be recognized in the statement of comprehensive income (loss).

7. Property and equipment:

Cost	Balance at December 31, 2022	Additions	Disposals	Balance at December 31, 2023
Land	$ 666,856	$ –	$ –	$ 666,856
Office premises, building service equipment and parking lot	6,375,258	–	–	6,375,258
Furniture and office equipment	506,034	1,492	–	507,526
Computer equipment	703,002	31,972	–	734,974
Automobiles	42,779	–	–	42,779
Right-of-use leased assets	75,232	–	–	75,232
	$ 8,369,161	$ 33,464	$ –	$ 8,402,625

7. Property and equipment (continued):

Accumulated depreciation	Balance at December 31, 2022	Depreciation expense	Disposals	Balance at December 31, 2023
Land	$ –	$ –	$ –	$ –
Office premises, building service equipment and parking lot	2,647,174	181,200	–	2,828,374
Furniture and office equipment	476,876	7,644	–	484,520
Computer equipment	696,044	11,956	–	708,000
Automobiles	24,962	5,345	–	30,307
Right-of-use leased assets	44,999	12,288	–	57,287
	$ 3,890,055	$ 218,433	$ –	$ 4,108,488

	Net book value December 31, 2022	Net book value December 31, 2023
Land	$ 666,856	$ 666,856
Office premises, building service equipment and parking lot	3,728,084	3,546,884
Furniture and office equipment	29,158	23,006
Computer equipment	6,958	26,974
Automobiles	17,817	12,472
Right-of-use leased assets	30,233	17,945
	$ 4,479,106	$ 4,294,137

8. 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 aggregate basis without further disaggregating information based on major product lines.

	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	3,877,111	–	34,880,438	736,019	39,493,568
Insurance contract assets, beginning of year	–	–	–	–	–
Net liabilities (assets), beginning of year	**3,877,111**	**–**	**34,880,438**	**736,019**	**39,493,568**
Insurance revenue	**(35,186,195)**	–	–	–	**(35,186,195)**
Insurance service expenses	**8,334,353**	**–**	**24,858,034**	**756,437**	**33,948,824**
Incurred claims and other directly attributable expenses	–	–	24,304,927	591,816	24,896,743
Insurance acquisition cash flows amortisation	8,334,353	–	–	–	8,334,353
Losses on onerous contracts and reversals of those losses	–	–	–	–	–
Changes that relate to past service – adjustments to the LIC	–	–	553,107	164,621	717,728
Insurance service result	**(26,851,842)**	–	**24,858,034**	**756,437**	**(1,237,371)**
Insurance finance (income) expenses	–	–	1,278,687	–	1,278,687
Total changes in the statement of comprehensive income (loss)	**(26,851,842)**	**–**	**26,136,721**	**756,437**	**41,316**
Cash flows					
Premiums received	35,278,926	–	–	–	35,278,926
Claims and other directly attributable expenses paid	–	–	(35,576,327)	–	(35,576,327)
Insurance acquisition cash flows	(8,658,472)	–	–	–	(8,658,472)
Total cash flows	**26,620,454**	**–**	**(35,576,327)**	**–**	**(8,955,873)**
Net liabilities (assets), end of year	**3,645,723**	**–**	**25,440,832**	**1,492,456**	**30,579,011**
Insurance contract liabilities, end of year	3,645,723	–	25,440,832	1,492,456	30,579,011
Insurance contract assets, end of year	–	–	–	–	–
Net liabilities (assets), end of year	**3,645,723**	**–**	**25,440,832**	**1,492,456**	**30,579,011**

* Present Value of Future Cash Flows ("PVFCF")

8. 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	3,562,818	–	22,884,057	665,785	27,112,660
Insurance contract assets, beginning of year	–	–	–	–	–
Net liabilities (assets), beginning of year	**3,562,818**	**–**	**22,884,057**	**665,785**	**27,112,660**
Insurance revenue	**(33,404,297)**	**–**	**–**	**–**	**(33,404,297)**
Insurance service expenses	**7,865,212**	–	**42,577,135**	**70,234**	**50,512,581**
Incurred claims and other directly attributable expenses	–	–	45,839,155	375,470	46,214,625
Insurance acquisition cash flows amortisation	7,865,212	–	–	–	7,865,212
Losses on onerous contracts and reversals of those losses	–	–	–	–	–
Changes that relate to past service – adjustments to the LIC	–	–	(3,262,020)	(305,236)	(3,567,256)
Insurance service result	**(25,539,085)**	**–**	**42,577,135**	**70,234**	**17,108,284**
Insurance finance (income) expenses	–	–	(186,634)	–	(186,634)
Total changes in the statement of comprehensive income (loss)	**(25,539,085)**	**–**	**42,390,501**	**70,234**	**16,921,650**
Cash flows					
Premiums received	33,928,439	–	–	–	33,928,439
Claims and other directly attributable expenses paid	–	–	(30,394,120)	–	(30,394,120)
Insurance acquisition cash flows	(8,075,062)	–	–	–	(8,075,062)
Total cash flows	**25,853,377**	**–**	**(30,394,120)**	**–**	**(4,540,743)**
Net liabilities (assets), end of year	**3,877,110**	**–**	**34,880,438**	**736,019**	**39,493,567**
Insurance contract liabilities, end of year	3,877,110	–	34,880,438	736,019	39,493,567
Insurance contract assets, end of year	–	–	–	–	–
Net liabilities (assets), end of year	**3,877,110**	**–**	**34,880,438**	**736,019**	**39,493,567**

* Present Value of Future Cash Flows (“PVFCF”)

8. Insurance and reinsurance contracts (continued):

(b) Roll forward of net asset or liability for reinsurance contracts:

The company provides disclosure for its entire reinsurance portfolio on an aggregate basis without further disaggregating information based on specific reinsurance lines or segments.

	2023				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	–	–	–	–	–
Reinsurance contract assets, beginning of year	(320,446)	–	17,196,442	335,000	17,210,996
Net assets (liabilities), beginning of year	**(320,446)**	**–**	**17,196,442**	**335,000**	**17,210,996**
Allocation of reinsurance premiums	**(7,868,564)**	**–**	**–**	**–**	**(7,868,564)**
Amounts recoverable from reinsurers for incurred claim	–	–	**10,779,172**	**411,421**	**11,190,593**
Amounts recoverable for claims and other expense	–	–	8,862,942	321,257	9,184,199
Loss-recovery on onerous underlying contracts and adjustments	–	–	–	–	–
Changes to amounts recoverable for incurred claim	–	–	1,916,230	90,164	2,006,394
Net income (expense) from reinsurance contracts held	**(7,868,564)**	**–**	**10,779,172**	**411,421**	**3,322,029**
Reinsurance finance income (expense)	–	–	531,803	–	531,803
Effect of changes in the risk of reinsurer non-performance	–	–	–	–	–
Total changes in the statement of comprehensive income	**(7,868,564)**	**–**	**11,310,975**	**411,421**	**3,853,832**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	7,822,248	–	–	–	7,822,248
Amounts received from reinsurer	–	–	(13,197,185)	–	(13,197,185)
Total cash flows	**7,822,248**	**–**	**(13,197,185)**	**–**	**(5,374,937)**
Net assets (liabilities), end of year	**(366,762)**	**–**	**15,310,232**	**746,421**	**15,689,891**
Reinsurance contract liabilities, end of year	–	–	–	–	–
Reinsurance contract assets, end of year	(366,762)	–	15,310,232	746,421	15,689,891
Net assets (liabilities), end of year	**(366,762)**	**–**	**15,310,232**	**746,421**	**15,689,891**

* Present Value of Future Cash Flows ("PVFCF")

8. Insurance and reinsurance contracts (continued):

(b) Roll forward of net asset or liability for reinsurance contracts (continued):

	2022				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	–	–	–	–	–
Reinsurance contract assets, beginning of year	(128,205)	–	13,025,749	352,734	13,250,278
Net assets (liabilities), beginning of year	**(128,205)**	**–**	**13,025,749**	**352,734**	**13,250,278**
Allocation of reinsurance premiums	**(6,764,405)**	**–**	**–**	**–**	**(6,764,405)**
Amounts recoverable from reinsurers for incurred claim	–	–	**22,078,784**	**(17,734)**	**22,061,050**
Amounts recoverable for claims and other expense	–	–	29,759,371	186,299	29,945,670
Loss-recovery on onerous underlying contracts and adjustments	–	–	–	–	–
Changes to amounts recoverable for incurred claim	–	–	(7,680,587)	(204,033)	(7,884,620)
Net income (expense) from reinsurance contracts held	**(6,764,405)**	**–**	**22,078,784**	**(17,734)**	**15,296,645**
Reinsurance finance income (expense)	–	–	(96,254)	–	(96,254)
Effect of changes in the risk of reinsurer non-performance	–	–	–	–	–
Total changes in the statement of comprehensive income (loss)	**(6,764,405)**	**–**	**21,982,530**	**(17,734)**	**15,200,391**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	6,572,164	–	–	–	6,572,164
Amounts received from reinsurer	–	–	(17,811,837)	–	(17,811,837)
Total cash flows	**6,572,164**	**–**	**(17,811,837)**	**–**	**(11,239,673)**
Net assets (liabilities), end of year	**(320,446)**	–	**17,196,442**	**335,000**	**17,210,996**
Reinsurance contract liabilities, end of year	–	–	–	–	–
Reinsurance contract assets, end of year	(320,446)	–	17,196,442	335,000	17,210,996
Net assets (liabilities), end of year	**(320,446)**	**–**	**17,196,442**	**335,000**	**17,210,996**

* Present Value of Future Cash Flows ("PVFCF")

8. Insurance and reinsurance contracts (continued):

(c) Claims development:

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

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim years 2014 to 2023. The tables indicate the cumulative amounts paid or estimated to be paid (gross and net) during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

	2023			2022		
In thousands of dollars	Estimates of the PVFCF	Risk adjustment	Total	Estimates of the PVFCF	Risk adjustment	Total
Total gross liabilities for incurred claims	25,441	1,492	26,933	34,880	736	35,616
Amounts recoverable from reinsurer	(15,310)	(746)	(16,056)	(17,196)	(335)	(17,531)
Total net liabilities for incurred claims	10,131	746	10,877	17,684	401	18,085

8. Insurance and reinsurance contracts (continued):

(c) Claims development (continued):

Gross undiscounted liabilities for incurred claims as at December 31, 2023

In thousands of dollars	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Gross estimates of cumulative claims cost:												
End of insured event year	133,359	14,421	19,283	21,930	22,984	21,291	16,847	18,980	18,308	44,017	22,655	354,075
One year later	129,657	13,630	19,197	20,394	22,704	19,823	18,286	15,926	16,746	44,729		321,092
Two years later	128,326	13,026	19,649	19,622	22,409	19,466	16,462	15,725	15,898			270,583
Three years later	127,365	12,677	18,479	19,566	21,945	19,601	16,569	15,569				251,771
Four years later	126,454	12,658	18,601	19,649	22,466	19,729	16,662					236,219
Five years later	126,453	12,656	18,456	19,611	21,749	19,623						218,548
Six years later	126,361	12,656	18,362	19,610	21,830							198,819
Seven years later	126,376	12,628	17,320	19,525								175,849
Eight years later	125,953	12,628	18,187									156,768
Nine years later	125,982	12,628										138,610
Ten years later	125,976											125,976
Gross estimates cumulative claims costs	125,976	12,628	18,187	19,525	21,830	19,623	16,662	15,569	15,898	44,729	22,655	333,282
Cumulative payments to date	125,976	12,628	17,583	19,428	20,124	19,475	14,163	12,767	15,510	40,435	10,378	308,467
Gross undiscounted liabilities for incurred claims	–	–	604	97	1,706	148	2,499	2,802	388	4,294	12,277	24,815
Risk adjustment												1,438
Effect of discounting												(1,280)
Other attributable expenses												1,915
Gross undiscounted liabilities for incurred claims												26,933

8. Insurance and reinsurance contracts (continued):

(c) Claims development (continued):

Net undiscounted liabilities for incurred claims as at December 31, 2023

In thousands of dollars	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Net estimates of cumulative claims costs:												
End of insured event year	93,461	11,302	13,891	12,698	15,428	14,198	13,540	13,690	12,295	28,918	15,485	244,906
One year later	91,326	10,841	13,554	11,652	15,734	13,911	14,166	11,536	12,295	28,120		223,135
Two years later	90,778	10,781	13,786	11,627	15,745	14,123	12,631	11,472	12,022			192,965
Three years later	90,564	10,562	13,601	11,695	15,338	14,260	12,704	11,338				180,062
Four years later	89,788	10,542	10,703	11,776	15,479	14,388	12,577					165,253
Five years later	89,897	10,540	13,558	11,710	15,602	14,282						155,589
Six years later	89,854	10,540	13,500	11,709	15,667							141,270
Seven years later	89,854	10,513	13,515	11,709								125,591
Eight years later	96,692	10,513	13,526									120,731
Nine years later	96,412	10,513										106,925
Ten years later	96,412											96,412
Net estimates of cumulative claims costs	96,412	10,513	13,526	11,709	15,667	14,282	12,577	11,338	12,022	28,120	15,485	241,651
Cumulative payments to date	96,412	10,513	13,526	11,642	15,115	14,134	11,913	10,085	11,485	25,879	10,378	231,082
Net undiscounted liabilities for incurred claims	–	–	–	67	552	148	664	1,253	537	2,241	5,107	10,569
Risk adjustment												737
Effect of discounting												(632)
Other attributable expenses												203
Net undiscounted liabilities for incurred claims												10,877

8. Insurance and reinsurance contracts: (continued)

(c) Claims development (continued):

Gross undiscounted liabilities for incurred claims for 2022

In thousands of dollars	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
											(Restated)
Gross estimates of cumulative claims cost:											
At the end of year of claim	14,485	14,421	19,283	21,930	22,984	21,291	16,847	18,980	18,308	44,017	212,546
One year later	14,357	13,630	19,197	20,394	22,704	19,823	18,286	15,926	16,746		161,063
Two years later	13,645	13,026	19,649	19,622	22,409	19,466	16,462	15,725			140,004
Three years later	13,885	12,677	18,479	19,566	21,945	19,601	16,569				122,722
Four years later	13,743	12,658	18,601	19,649	22,466	19,729					106,846
Five years later	14,032	12,656	18,456	19,611	21,749						86,504
Six years later	14,052	12,656	18,362	19,610							64,680
Seven years later	14,068	12,628	17,320								44,016
Eight years later	13,669	12,628									26,297
Nine years later	13,669										13,669
Gross estimate of cumulative claims cost	13,669	12,628	17,320	19,610	21,749	19,729	16,569	15,725	16,746	44,017	197,762
Cumulative payments to date	13,653	12,628	17,064	19,454	20,054	18,918	14,109	12,602	14,613	20,357	163,452
Outstanding claims	16	–	256	156	1,695	811	2,460	3,123	2,133	23,660	34,310
Risk sharing/facility											(336)
Reinsurance assumed											166
Risk adjustment											736
Effect of discounting											(1,561)
Other attributable expenses											2,301
Outstanding claims											35,616

8. Insurance and reinsurance contracts: (continued)

(c) Claims development (continued):

Net undiscounted liabilities for incurred claims for 2022

Net of reinsurance In thousands of dollars	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
											(Restated)
Net estimates of cumulative claims costs:											
At the end of year of claim	11,440	11,302	13,891	12,698	15,428	14,198	13,540	13,690	12,295	28,918	147,400
One year later	10,955	10,841	13,554	11,652	15,734	13,911	14,166	11,536	12,295		114,644
Two years later	10,692	10,781	13,768	11,627	15,745	14,123	12,631	11,472			100,839
Three years later	10,775	10,562	13,601	11,695	15,338	14,260	12,704				88,935
Four years later	10,626	10,542	13,703	11,776	15,479	14,388					76,514
Five years later	10,746	10,540	13,558	11,710	15,602						62,156
Six years later	10,746	10,540	13,500	11,709							46,495
Seven years later	10,746	10,513	13,515								34,774
Eight years later	10,718	10,513									21,231
Nine years later	10,718										10,718
Net estimates of cumulative claims cost	10,718	10,513	13,515	11,709	15,602	14,388	12,704	11,472	12,295	28,918	141,834
Cumulative payments to date	10,717	10,513	13,259	11,641	15,045	13,577	11,859	10,043	11,162	16,435	124,251
Outstanding claims	1	–	256	68	557	811	845	1,429	1,133	12,483	17,583
Risk sharing/facility											(336)
Reinsurance assumed											166
Advance from Farm Mutual Reinsurance Plan Inc.											(596)
Risk adjustment											401
Effect of discounting											(842)
Other attributable expenses											1,709
Outstanding claims											18,085

8. Insurance and reinsurance contracts: (continued)

(d) Catastrophic claims loss event:

During May 2022, a significant windstorm impacted the Quebec City - Windsor corridor affecting many policyholders of the Company. The Company incurred gross claims totalling approximately $22.9 million resulting in this event being classified as a catastrophe for reinsurance purposes ("CAT" event). In April 2023, a significant ice storm impacted southeastern Ontario, with the Company incurring $4 million in gross claims. This event was also classified as a catastrophe for reinsurance purposes. For both these CAT events, the Company expects it will be able to recover approximately $23.9 million of the total gross claims incurred, for a net retention $3 million. As at December 31, 2023, $2.1 million or 7.8% (2022 – $9.6 million or 25.5%) of our labilities for incurred claims provision is CAT related, while $2.1 million or 13% (2022 – $5.4 million or 30.4%) of our recoverable assets for incurred claims is CAT related.

9. Bank loan:

The Company has an unsecured demand credit facility in the amount of $2,000,000 (2022 - $2,000,000) to finance operating requirements as needed. The demand loan bears interest at the Bank of Montreal prime rate + 0.25% and is secured by a general security agreement.

10. Insurance service expense:

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

	2023	2022 (Restated)
Claims and benefits	$ 24,490,286	$ 41,356,816
Salaries and employee benefits	2,701,839	2,494,439
Professional fees (other than legal)	427,857	328,070
Legal fees	5,479	5,616
Net insurance acquisition cost including commissions, net of deferrals	7,113,074	7,021,598
Depreciation and amortization	161,156	266,942
Occupancy expenses (including rent, leasing and maintenance)	224,987	215,507
Information technology	1,025,254	1,017,180
Other general expenses	763,755	832,997
Total	$ 36,913,687	$ 53,539,165
Represented by:		
Insurance service expenses	$ 25,614,470	$ 42,647,369
Insurance acquisition cashflows amortization	8,334,353	7,865,212
General and operating expenses	2,964,864	3,026,584
Total	$ 36,913,687	$ 53,539,165

11. Net investment income (loss):

	2023 IFRS 9	2022 IAS 39
Interest income:		
Bonds and debentures classified as held to maturity	$ –	$ 686,760
Bonds and debentures classified as FVTPL	724,276	–
Bank account interest	140,815	24,099
Dividend income from common and preferred shares:		
Classified as AFS	–	286,587
Classified as FVTPL	283,485	–
Reinvested distributions from pooled funds and mutual funds	400,922	657,104
Realized gain on equity investments	125,399	–
Unrealized gain (loss) on investments:		
Bonds and debentures classified as held to maturity	–	(616,698)
Bonds and debentures classified as FVTPL	933,668	–
Equity investments classified as FVTPL	328,368	(1,588,486)
Investment management costs	(164,236)	(130,038)
	$ 2,772,697	$ (680,672)

12. Income taxes:

(a) Income tax expense:

The income tax provision has been calculated on income before income taxes and varies from the basic income tax rate as follows:

	2023	2022 (Restated)
Provision for income taxes based on combined basic Canadian federal and provincial income tax rate of 26.5% (2022 - 26.5%)	$ 959,393	$ (1,438,557)
Increases (decreases) resulting from:		
Changes related to IFRS 9	(598,494)	–
Non-taxable income	(108,365)	(99,918)
Adjustment of prior years' income taxes	(9,429)	11,396
Other	(1,506)	2,577
Provision for income taxes	$ 241,599	$ (1,524,502)

(b) Deferred income taxes:

The movement in 2023 of deferred tax liabilities and assets is as follows:

	Opening balance	Recognized in net comprehensive income (loss)	Closing balance
Deferred tax liabilities:			
Claims liabilities	$ (464,457)	$ 622,116	$ 157,659
Deferred tax assets:			
Property and equipment	26,330	(1,959)	24,371
Deferred loss on bonds and debentures	–	478,795	478,795
Other	95,503	3,522	99,025
	121,833	480,358	602,191
Net deferred tax asset	$ 586,290	$ (141,758)	$ 444,532

12. Income taxes (continued):

(b) Deferred income taxes (continued):

The movement in 2022 of deferred tax liabilities and assets is as follows:

	Opening balance	Recognized in net comprehensive income (loss)	Closing balance
	(Restated)	(Restated)	(Restated)
Deferred tax liabilities:			
Property and equipment	$ 3,288	$ (29,618)	$ (26,330)
Deferred tax assets:			
Claims liabilities	(198,865)	663,322	464,457
Other	100,696	(5,193)	95,503
	(98,169)	658,129	559,960
Net deferred tax asset (liability)	$ (101,457)	$ 687,747	$ 586,290

13. Supplemental information to statement of cash flows:

	2023	2022
		(Restated)
Cash provided by (used in):		
Changes in working capital:		
Accrued investment income	$ 10,650	$ (377)
Prepaid expenses	66,138	(22,831)
Accounts payable and accrued liabilities	319,246	(58,443)
Non-cash changes in ROU liabilities	–	(28,877)
Income taxes (payable) receivable	947,993	(1,684,907)
	$ 1,344,027	$ (1,795,435)
Changes in insurance contract related balances:		
Reinsurance contract assets	$ 1,521,105	$ (3,960,718)
Insurance contract liabilities	(8,914,556)	12,380,907
	$ (7,393,451)	$ 8,420,189

14. Related party transactions:

The Company incurred salaries, employee benefits and director's fees of $1,191,915 (2022 - $1,092,111) with respect to key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

15. Capital management:

The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize its capital. Reinsurance is utilized to protect capital from catastrophic losses as the frequency and severity of these losses are inherently unpredictable. The Company's agreements with its reinsurer Farm Mutual Reinsurance Plan Inc. are described in note 16. For the purpose of capital management, the Company has defined capital as accumulated surplus.

FSRA measures the financial strength of property and casualty insurers using a minimum capital test ("MCT"). FSRA expects property and casualty companies to comply with the 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. FSRA indicates that the Company should produce a minimum MCT of 150%. The Company was in compliance with this requirement in fiscal 2023 and 2022.

16. Insurance risk management:

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

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

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

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

16. Insurance risk management (continued):

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

The Company manages this risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Reinsurance is purchased to mitigate the effect of the potential loss to the Company. Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. ("FMRP"), a Canadian registered reinsurer.

The Company follows the policy of underwriting and reinsuring contracts of insurance which limit the retained liability of the Company to a maximum amount, on any one loss as follows:

- Property – $650,000 (2022 - $550,000)
- Auto – $550,000 (2022 - $500,000)
- Liability – $600,000 (2022 - $600,000)

- The reinsurance treaties provide stop loss coverage that limits the amount of net losses for a year to 70% (2022 - 70%) of insurance revenue for property, automobile and liability policies.
- The Company has catastrophe reinsurance which provides coverage for 100% of a single event loss in excess $1,750,000 (2022 - $1,237,500).

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 mutual companies by FMRP. The rate filing must include actuarial justification for rate increases or decreases. All rate filings are approved or denied by FSRA. Rate regulation may affect the automobile insurance revenues that are earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

Automobile premiums are subject to approval by FSRA and therefore may result in a delay in adjusting the pricing to exposed risk.

The Company is exposed to pricing risk to the extent that the liability for remaining coverage is insufficient to meet the related future policy costs. Evaluations are performed regularly to estimate future estimates of the present value of future cash flows ("PVFCF"), and expected profit in relation to future premium cash inflows. There was no loss component at December 31, 2023.

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 occurrence, expected loss ratios and claims development as described in note 8(c).

16. Insurance risk management (continued):

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 a change in insurance contract liabilities would have on earnings (loss) before income taxes, and policyholders' surplus, for possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

		2023			
In thousands of dollars	Change in Assumptions	Impact on earnings (loss) before tax, gross of reinsurance	Impact on earnings (loss) before tax, net of reinsurance	Impact on policyholders' surplus, gross of reinsurance	Impact on policyholders' surplus, net of reinsurance
Change in liabilities	+5%	(192,000)	(193,000)	(141,120)	(141,855)
Inflation rate	+1%	(298,000)	(158,000)	(219,030)	(116,130)
Change in liabilities	-5%	192,000	195,000	141,120	143,325
Inflation rate	-1%	294,000	155,000	216,090	113,925

		2022			
In thousands of dollars	Change in assumptions	Impact on earnings (loss) before tax, gross of reinsurance	Impact on earnings (loss) before tax, net of reinsurance	Impact on policyholders' surplus, gross of reinsurance	Impact on policyholders' surplus, net of reinsurance
Change in liabilities	+5%	(115,802)	(117,651)	(85,114)	(86,473)
Inflation rate	+1%	(383,844)	(204,695)	(282,125)	(150,451)
Change in liabilities	-5%	115,834	(115,876)	85,138	(85,169)
Inflation rate	-1%	378,457	(201,376)	278,166	(148,011)

Concentration of risk:

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

	2023			2022		
	Gross claims	Claims recoveries	Net claims	Gross claims	Claims recoveries	Net claims
Automobile	4,555,947	(1,845,513)	2,710,434	5,236,463	(1,707,868)	3,528,595
Property	14,333,565	(9,818,095)	4,515,470	23,158,965	(12,569,434)	10,589,531
Liability	8,043,776	(4,393,045)	3,650,731	7,221,030	(3,254,140)	3,966,890
	26,933,288	(16,056,653)	10,876,635	35,616,458	(17,531,442)	18,085,016

17. Commitment:

The Company is a member of the Fire Mutual Guarantee Fund. The Fund was established to provide payment of outstanding policy holders' claims if a member company becomes bankrupt. As a result, the Company may be required to contribute assets in proportionate share to meet this objective, should it arise.

18. Comparative information:

Certain comparative information has been restated to conform to the financial statement presentation adopted in the current year.