



GRENVILLE Mutual Insurance

Financial Statements

And Independent Auditor's Report thereon

Year ended December 31, 2024



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, 2024
- the statement of comprehensive income for the year then ended
- the statement of policyholders' 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, 2024, 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.



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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature, extending from the left side of the 'K' towards the right.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

February 19, 2025

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Financial Position

December 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Assets | | |
| Cash | \$ 3,063,309 | \$ 1,858,736 |
| Investments (note 5) | 49,767,497 | 44,577,232 |
| Accrued investment income | 154,634 | 143,082 |
| Reinsurance contract assets (note 8) | 5,226,094 | 15,689,891 |
| Prepaid expenses | 159,324 | 203,396 |
| Deferred income taxes (note 12(b)) | 348,902 | 444,532 |
| Property and equipment (note 7) | 4,137,654 | 4,294,137 |
| | <u>62,857,414</u> | <u>67,211,006</u> |
| Liabilities and Policyholders' Surplus | | |
| Accounts payable and accrued liabilities | 922,339 | 966,704 |
| Income taxes payable | 1,041,811 | 99,841 |
| Insurance contract liabilities (note 8) | 21,767,179 | 30,579,011 |
| | <u>23,731,329</u> | <u>31,645,556</u> |
| Policyholders' surplus | 39,126,085 | 35,565,450 |
| Commitment (note 17) | | |
| | <u>\$ 62,857,414</u> | <u>\$ 67,211,006</u> |

See accompanying notes to financial statements.

On behalf of the Board:

Bonnie Dankley Director

Ruth Lockett Director

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|---------------|---------------|
| Insurance revenue (note 8) | \$ 37,898,769 | \$ 35,186,195 |
| Insurance service expense (note 10) | (25,339,899) | (33,948,824) |
| Insurance service results before reinsurance contracts held | 12,558,870 | 1,237,371 |
| Net (loss) income from reinsurance contracts held (note 8) | (8,356,779) | 3,322,029 |
| Insurance service results | 4,202,091 | 4,559,400 |
| Insurance finance expense (note 8) | (1,084,259) | (1,278,687) |
| Reinsurance finance income (note 8) | 522,594 | 531,803 |
| Net insurance financial results | (561,665) | (746,884) |
| Net investment income (note 11) | 4,136,344 | 2,772,697 |
| General and operating expenses | (3,091,362) | (2,964,864) |
| Earnings before income taxes | 4,685,408 | 3,620,349 |
| Income taxes (note 12): | | |
| Current expense | 1,029,143 | 99,841 |
| Deferred expense | 95,630 | 141,758 |
| | 1,124,773 | 241,599 |
| Total comprehensive income | \$ 3,560,635 | \$ 3,378,750 |

See accompanying notes to financial statements.

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Changes in Policyholders' Surplus

Year ended December 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|----------------------------|---------------|---------------|
| Balance, beginning of year | \$ 35,565,450 | \$ 32,186,700 |
| Total comprehensive income | 3,560,635 | 3,378,750 |
| Balance, end of year | \$ 39,126,085 | \$ 35,565,450 |

See accompanying notes to financial statements.

GRENVILLE MUTUAL INSURANCE COMPANY

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Total comprehensive income | \$ 3,560,635 | \$ 3,378,750 |
| Items not involving cash: | | |
| Depreciation of property and equipment (note 7) | 221,233 | 218,433 |
| Gain on investments | (2,427,121) | (1,387,625) |
| Deferred income tax reduction (note 12) | 95,630 | 141,758 |
| Change in non-cash operating working capital (note 13) | 930,125 | 1,344,027 |
| Change in insurance contract related balances (note 13) | 1,651,965 | (7,393,451) |
| | 4,032,467 | (3,698,108) |
| Investing activities: | | |
| Additions to property and equipment | (64,750) | (33,464) |
| Purchase of investments | (5,563,144) | (2,913,128) |
| Proceeds on sales and maturities of investments | 2,800,000 | 2,847,820 |
| | (2,827,894) | (98,772) |
| Increase (decrease) in cash | 1,204,573 | (3,796,880) |
| Cash, beginning of year | 1,858,736 | 5,655,616 |
| Cash, end of year | \$ 3,063,309 | \$ 1,858,736 |

See accompanying notes to financial statements.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2024

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 19.6% (2023 – 18.3%) 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 19, 2025.

(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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(e) Statement of financial position:

The Company presents its consolidated statement of financial position broadly in order of liquidity.

2. Material accounting policies:

(a) Insurance and reinsurance contracts:

(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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 (“PAA”):

| | IFRS 17 Options | Adopted approach |
|---|---|--|
| Premium Allocation Approach 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. | The 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. |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

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

(vi) Measurement – Premium Allocation Approach (“PAA”) (continued):

| | IFRS 17 Options | Adopted approach |
|---|--|---|
| Liability for Remaining Coverage (“LFRC”) adjusted for financial risk and time value of money | Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC. | For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period. |
| Liability for Incurred Claims (“LFIC”) adjusted for time value of money | Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money. | For all business lines, adjustments are made for the time value of money when assessing the incurred claims. |
| Insurance finance income and expense | There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI. | For all contracts, the change in LFIC as a result of changes in discount rates will be captured within profit 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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(b) Financial instruments (continued):

(i) Financial assets (continued):

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 designate 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.

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

(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 Company 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.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(b) Financial instruments (continued):

(iii) Impairment of financial assets (continued):

Losses are recognised in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through 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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

(f) Accounting standards issued but not yet applied:

(i) IFRS 18, *Presentation and Disclosures in Financial Statements*:

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosures in Financial Statements*, which will replace IAS 1. The new standard introduces the following key new requirements.

Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a new-defined operating profit sub-total. The Entity's profit will not change.

Management defined performance measurers ("MPM") are disclosed in a single note in the financial statements

Enhanced guidance is provided on how to group information in the financial statements

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and must be applied retrospectively. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

(ii) IFRS 9 and IFRS 7 Amendments, *Classification and Measurement of Financial Instruments*

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendments clarify certain concepts relating to classification of financial assets, including those with contingent features. The amendments address the recognition and derecognition of financial assets and liabilities settled using an electronic payment system. The amendments also introduce certain new disclosure requirements for financial instruments measured at fair value through other comprehensive income and amortized cost. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Company is currently evaluating the impact that this amendment will have on its financial statements.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 and reinsurance 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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 | |
|--------------------------------|--------|-------|---------|-------|---------|-------|----------|-------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Insurance contract liabilities | 3.06% | 4.52% | 3.01% | 3.70% | 3.20% | 3.53% | 3.84% | 3.77% |

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

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 73.22% (2023: 68.92%) 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 in 2024 of the Company's financial instruments by classification under IFRS 9 is as follows:

| | Fair value through profit and loss | Other loans and receivables | Financial liabilities | Total |
|---|--|-----------------------------------|--------------------------|---------------|
| December 31, 2024: | | | | |
| Investments | \$ 49,767,497 | \$ – | \$ – | \$ 49,767,497 |
| Accrued investment income | – | 154,634 | – | 154,634 |
| Accounts payable and accrued liabilities | – | – | 922,339 | 922,339 |
| | \$ 49,767,497 | \$ 154,634 | \$ 922,339 | \$ 50,844,470 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Financial instruments classification (continued):

(a) The carrying amount in 2023 of the Company's financial instruments by classification under IFRS 9 is as follows:

| | Fair value through profit and loss | Other loans and receivables | Financial liabilities | Total |
|---|--|-----------------------------------|--------------------------|---------------|
| December 31, 2023: | | | | |
| Investments | \$ 44,577,232 | \$ – | \$ – | \$ 44,577,232 |
| Accrued investment income | – | 143,082 | – | 143,082 |
| Accounts payable and accrued liabilities | – | – | 966,704 | 966,704 |
| | \$ 44,577,232 | \$ 143,082 | \$ 966,704 | \$ 45,687,018 |

5. Investments:

The fair value and carrying amounts of investments are summarized as follows:

| | 2024 | 2023 |
|---|---------------|---------------|
| Bonds and debentures, carried at FVTPL | | |
| Government of Canada | \$ 5,289,137 | \$ 3,356,841 |
| Canadian provinces and Provincial enterprises | 15,161,884 | 16,312,536 |
| Canadian municipal and public authorities | 2,482,696 | 828,223 |
| Canadian corporate | 7,007,868 | 6,507,575 |
| | 29,941,585 | 27,005,175 |
| Marketable securities, carried at fair value | | |
| Common shares of Canadian corporations | 5,498,231 | 4,574,171 |
| Preferred shares of Canadian corporations | 533,845 | 623,545 |
| Canadian Fixed Income Pooled Fund | 4,529,146 | 4,338,803 |
| Canadian & Global Equity Pooled Funds | 7,467,077 | 6,231,608 |
| | 18,028,299 | 15,768,127 |
| Equity investment in private company | 1,750,233 | 1,750,233 |
| Fire Mutual Guarantee Fund | 47,380 | 53,697 |
| Total | \$ 49,767,497 | \$ 44,577,232 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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).

| In thousands of dollars | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|-----------------|------------------|-----------------|------------------|
| December 31, 2024: | | | | |
| Equities | \$ 6,032 | \$ – | \$ 1,750 | \$ 7,782 |
| Greystone Pooled funds | – | 11,996 | – | 11,996 |
| Fire Mutual Guarantee Fund | – | 47 | – | 47 |
| Bonds and debentures | – | 29,942 | – | 29,942 |
| Total | \$ 6,032 | \$ 41,985 | \$ 1,750 | \$ 49,767 |

| 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 |

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2024 or December 31, 2023. There was 1 Level 3 investment for the year ended December 31, 2024.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 2024.

(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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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, 2024, a 1% move in interest rates, with all other variables held constant, would impact the fair value of bonds and debentures by \$1,344,377 (2023 - \$1,196,329) and the value of fixed income pooled funds by \$335,610 (2023 - \$330,183).

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 \$549,823 (2023 - \$457,417) and Company's preferred shares of \$53,385 (2023 - \$62,355).

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 \$681,234 (2023 - \$586,106). 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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Financial risk management:

(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, 2024, the Company had \$3,063,309 (2023 - \$1,858,736) 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 \$29,941,585 as at December 31, 2024 (2023 - \$27,005,175). The Company has a demand loan operating facility in the amount of \$2,000,000 (2023 - \$2,000,000) to finance operating requirements as necessary.

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Financial risk management (continued):

(c) Liquidity risk (continued):

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

| In dollars | 2024 | | | | | | Total |
|---|--------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|
| | Up to 1 year | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | Over 5 years | |
| Financial assets: | | | | | | | |
| Cash | 3,063,309 | – | – | – | – | – | 3,063,309 |
| Investments | 3,572,136 | 3,556,119 | 3,014,522 | 3,116,687 | 3,846,012 | 18,227,677 | 35,333,153 |
| Accrued investment income | 154,634 | – | – | – | – | – | 154,634 |
| | 6,790,079 | 3,556,119 | 3,014,522 | 3,116,687 | 3,846,012 | 18,227,677 | 38,551,096 |
| Reinsurance assets for incurred claims | | | | | | | |
| | 2,942,481 | 1,424,361 | 871,255 | 106,124 | 114,658 | 309,926 | 5,768,805 |
| Total financial assets | 9,732,560 | 4,980,480 | 3,885,777 | 3,222,811 | 3,960,670 | 18,537,603 | 44,319,901 |
| Financial liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | 763,015 | – | – | – | – | – | 763,015 |
| Liabilities for incurred claims | 10,372,245 | 3,043,481 | 1,736,840 | 929,889 | 682,461 | 1,138,131 | 17,903,047 |
| Total financial liabilities | 11,135,260 | 3,043,481 | 1,736,840 | 929,889 | 682,461 | 1,138,131 | 18,666,062 |
| Net liquidity gap | (1,402,700) | 1,936,999 | 2,148,937 | 2,292,922 | 3,278,209 | 17,399,472 | 25,653,839 |
| Cumulative liquidity gap | (1,402,700) | 534,299 | 2,683,236 | 4,976,158 | 8,254,367 | 25,653,839 | |

(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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Financial risk management (continued):

(d) Interest rate risk (continued):

At December 31, 2024, a 1% move in interest rates, with all other variables held constant will have the following impact.

| In dollars | Change in interest rate | 2024 | | 2023 | |
|--|-------------------------|---------------------------------------|----------------------------------|---------------------------------------|----------------------------------|
| | | Effect on comprehensive income (loss) | Effect on Policyholders' surplus | Effect on comprehensive income (loss) | Effect on Policyholders' surplus |
| Insurance and reinsurance contracts, gross | +1% | 253,462 | 186,295 | 280,000 | 205,800 |
| Insurance and reinsurance contracts, gross | -1% | (264,261) | (194,232) | (289,000) | (212,415) |
| Insurance and reinsurance contracts, net | +1% | 176,045 | 129,393 | 147,000 | 108,045 |
| Insurance and reinsurance contracts, net | -1% | (184,099) | (135,313) | (153,000) | (112,455) |

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

7. Property and equipment:

| Cost | Balance at December 31, 2023 | Additions | Disposals | Balance at December 31, 2024 |
|---|------------------------------|-----------|-----------|------------------------------|
| Land | \$ 666,856 | \$ — | \$ — | \$ 666,856 |
| Office premises, building service equipment and parking lot | 6,375,258 | — | — | 6,375,258 |
| Furniture and office equipment | 507,526 | 32,849 | — | 540,375 |
| Computer equipment | 734,974 | 31,901 | — | 766,875 |
| Automobiles | 42,779 | — | — | 42,779 |
| Right-of-use leased assets | 75,232 | — | — | 75,232 |
| | \$ 8,402,625 | \$ 64,750 | \$ — | \$ 8,467,375 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Property and equipment (continued):

| Accumulated depreciation | Balance at December 31, 2023 | Depreciation expense | Disposals | Balance at December 31, 2024 |
|---|------------------------------------|-------------------------|-----------|------------------------------------|
| Land | \$ — | \$ — | \$ — | \$ — |
| Office premises, building service equipment and parking lot | 2,828,374 | 180,039 | — | 3,008,413 |
| Furniture and office equipment | 484,520 | 7,668 | — | 492,188 |
| Computer equipment | 708,000 | 18,454 | — | 726,454 |
| Automobiles | 30,307 | 5,916 | — | 36,223 |
| Right-of-use leased assets | 57,287 | 9,156 | — | 66,443 |
| | \$ 4,108,488 | \$ 221,233 | \$ — | \$ 4,329,721 |

| | Net book value December 31, 2023 | Net book value December 31, 2024 |
|---|--|--|
| Land | \$ 666,856 | \$ 666,856 |
| Office premises, building service equipment and parking lot | 3,546,884 | 3,366,845 |
| Furniture and office equipment | 23,006 | 48,187 |
| Computer equipment | 26,974 | 40,421 |
| Automobiles | 12,472 | 6,556 |
| Right-of-use leased assets | 17,945 | 8,789 |
| | \$ 4,294,137 | \$ 4,137,654 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

| In dollars | 2024 | | | | |
|--|------------------------------------|----------------|---------------------------------|------------------|---------------------|
| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
| | Excluding loss component | Loss component | Estimates of PVFCF* | Risk adjustments | |
| Insurance contract liabilities, beginning of year | 3,645,723 | – | 25,440,832 | 1,492,456 | 30,579,011 |
| Insurance contract assets, beginning of year | – | – | – | – | – |
| Net liabilities (assets), beginning of year | 3,645,723 | – | 25,440,832 | 1,492,456 | 30,579,011 |
| Insurance revenue | (37,898,769) | – | – | – | (37,898,769) |
| Insurance service expenses | 8,981,436 | – | 16,683,476 | (325,013) | 25,339,899 |
| Incurred claims and other directly attributable expenses | – | – | 17,177,913 | 308,741 | 17,486,654 |
| Insurance acquisition cash flows amortisation | 8,981,436 | – | – | – | 8,981,436 |
| Changes that relate to past service – adjustments to the LIC | – | – | (494,437) | (633,754) | (1,128,191) |
| Insurance service result | (28,917,333) | – | 16,683,476 | (325,013) | (12,558,870) |
| Insurance finance (income) expenses | – | – | 1,084,259 | – | 1,084,259 |
| Total changes in the statement of comprehensive income (loss) | (28,917,333) | – | 17,767,735 | (325,013) | (11,474,611) |
| Cash flows | | | | | |
| Premiums received | 38,355,795 | – | – | – | 38,355,795 |
| Claims and other directly attributable expenses paid | – | – | (26,472,961) | – | (26,472,961) |
| Insurance acquisition cash flows | (9,220,055) | – | – | – | (9,220,055) |
| Total cash flows | 29,135,740 | – | (26,472,961) | – | 2,662,779 |
| Net liabilities (assets), end of year | 3,864,130 | – | 16,735,606 | 1,167,443 | 21,767,179 |
| Insurance contract liabilities, end of year | 3,864,130 | – | 16,735,606 | 1,167,443 | 21,767,179 |
| Insurance contract assets, end of year | – | – | – | – | – |
| Net liabilities (assets), end of year | 3,864,130 | – | 16,735,606 | 1,167,443 | 21,767,179 |

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

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

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

| In dollars | 2023 | | | | |
|--|------------------------------------|----------------|---------------------------------|------------------|---------------------|
| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
| | Excluding loss component | Loss component | Estimates of PVFCF* | Risk adjustments | |
| 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 |
| 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")

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

| In dollars | 2024 | | | | |
|---|--|-------------------|---|---------------------|--------------------|
| | Assets for remaining coverage Excluding loss component | Loss component | Assets recoverable on incurred claims Estimates of PVFCF* | Risk adjustments | Total |
| Reinsurance contract liabilities, beginning of year | – | – | – | – | – |
| Reinsurance contract assets, beginning of year | (366,762) | – | 15,310,232 | 746,421 | 15,689,891 |
| Net assets (liabilities), beginning of year | (366,762) | – | 15,310,232 | 746,421 | 15,689,891 |
| Allocation of reinsurance premiums | (9,505,000) | – | – | – | (9,505,000) |
| Amounts recoverable from reinsurers for incurred claim | – | – | 1,575,884 | (427,663) | 1,148,221 |
| Amounts recoverable for claims and other expense | – | – | 1,170,117 | (11,832) | 1,158,285 |
| Changes to amounts recoverable for incurred claim | – | – | 405,767 | (415,831) | (10,064) |
| Net income (expense) from reinsurance contracts held | (9,505,000) | – | 1,575,884 | (427,663) | (8,356,779) |
| Reinsurance finance income (expense) | – | – | 522,594 | – | 522,594 |
| Total changes in the statement of comprehensive income | (9,505,000) | – | 2,098,478 | (427,663) | (7,834,185) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 9,329,051 | – | – | – | 9,329,051 |
| Amounts received from reinsurer | – | – | (11,958,663) | – | (11,958,663) |
| Total cash flows | 9,329,051 | – | (11,958,663) | – | (2,629,612) |
| Net assets (liabilities), end of year | (542,711) | – | 5,450,047 | 318,758 | 5,226,094 |
| Reinsurance contract liabilities, end of year | – | – | – | – | – |
| Reinsurance contract assets, end of year | (542,711) | – | 5,450,047 | 318,758 | 5,226,094 |
| Net assets (liabilities), end of year | (542,711) | – | 5,450,047 | 318,758 | 5,226,094 |

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

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

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

| In dollars | 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 |
| 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 |
| 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")

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 2015 to 2024. 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.

| In thousands of dollars | 2024 | | | 2023 | | |
|---|------------------------|-----------------|---------|------------------------|-----------------|----------|
| | Estimates of the PVFCF | Risk adjustment | Total | Estimates of the PVFCF | Risk adjustment | Total |
| Total gross liabilities for incurred claims | 16,736 | 1,167 | 17,903 | 25,441 | 1,492 | 26,933 |
| Amounts recoverable from reinsurer | (5,450) | (319) | (5,769) | (15,310) | (746) | (16,056) |
| Total net liabilities for incurred claims | 11,286 | 848 | 12,134 | 10,131 | 746 | 10,877 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

(c) Claims development (continued):

Gross undiscounted liabilities for incurred claims as at December 31, 2024

| In thousands of dollars | Before 2015 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|---|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Gross estimates of cumulative claims cost: | | | | | | | | | | | | |
| End of insured event year | 135,818 | 19,283 | 21,930 | 22,984 | 21,291 | 16,847 | 18,980 | 18,308 | 44,017 | 22,655 | 14,927 | 357,040 |
| One year later | 133,696 | 19,197 | 20,394 | 22,704 | 19,823 | 18,286 | 15,926 | 16,746 | 44,729 | 23,363 | | 334,864 |
| Two years later | 132,131 | 19,649 | 19,622 | 22,409 | 19,466 | 16,462 | 15,725 | 15,898 | 44,564 | | | 305,926 |
| Three years later | 130,872 | 18,479 | 19,566 | 21,945 | 19,601 | 16,569 | 15,569 | 15,543 | | | | 258,144 |
| Four years later | 130,851 | 18,601 | 19,649 | 22,466 | 19,729 | 16,662 | 15,690 | | | | | 243,648 |
| Five years later | 130,757 | 18,456 | 19,611 | 21,749 | 19,623 | 16,446 | | | | | | 226,642 |
| Six years later | 130,773 | 18,362 | 19,610 | 21,830 | 19,565 | | | | | | | 210,140 |
| Seven years later | 130,322 | 17,320 | 19,525 | 21,282 | | | | | | | | 188,449 |
| Eight years later | 130,351 | 18,187 | 19,545 | | | | | | | | | 168,083 |
| Nine years later | 130,344 | 18,187 | | | | | | | | | | 148,531 |
| Ten years later | 130,344 | | | | | | | | | | | 130,344 |
| Gross estimates cumulative claims costs | 130,344 | 18,187 | 19,545 | 21,282 | 19,565 | 16,446 | 15,690 | 15,543 | 44,564 | 23,363 | 14,927 | 339,456 |
| Cumulative payments to date | 130,344 | 17,584 | 19,444 | 20,241 | 19,485 | 16,314 | 13,359 | 15,168 | 42,777 | 20,571 | 8,601 | 323,888 |
| Gross undiscounted liabilities for incurred claims | – | 603 | 101 | 1,041 | 80 | 132 | 2,331 | 375 | 1,787 | 2,792 | 6,326 | 15,568 |
| Risk adjustment | | | | | | | | | | | | 1,167 |
| Effect of discounting | | | | | | | | | | | | (829) |
| Other attributable expenses | | | | | | | | | | | | 1,996 |
| Gross undiscounted liabilities for incurred claims | | | | | | | | | | | | 17,903 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

(c) Claims development (continued):

Net undiscounted liabilities for incurred claims as at December 31, 2024

| In thousands of dollars | Before 2015 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|--|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Net estimates of cumulative claims costs: | | | | | | | | | | | | |
| End of insured event year | 95,808 | 13,891 | 12,698 | 15,428 | 14,198 | 13,540 | 13,690 | 12,295 | 28,918 | 15,485 | 13,171 | 249,122 |
| One year later | 94,800 | 13,554 | 11,652 | 15,734 | 13,911 | 14,166 | 11,536 | 12,295 | 28,120 | 15,363 | | 231,131 |
| Two years later | 94,526 | 13,768 | 11,627 | 15,745 | 14,123 | 12,631 | 11,472 | 12,022 | 28,056 | | | 213,970 |
| Three years later | 93,530 | 13,601 | 11,695 | 15,338 | 14,260 | 12,704 | 11,338 | 11,502 | | | | 183,968 |
| Four years later | 93,619 | 13,703 | 11,776 | 15,479 | 14,388 | 12,577 | 11,311 | | | | | 172,853 |
| Five years later | 93,575 | 13,558 | 11,710 | 15,602 | 14,282 | 12,597 | | | | | | 161,324 |
| Six years later | 93,575 | 13,500 | 11,709 | 15,667 | 14,224 | | | | | | | 148,675 |
| Seven years later | 100,180 | 13,515 | 11,709 | 15,538 | | | | | | | | 140,942 |
| Eight years later | 99,900 | 13,526 | 11,709 | | | | | | | | | 125,135 |
| Nine years later | 99,899 | 13,526 | | | | | | | | | | 113,425 |
| Ten years later | 99,900 | | | | | | | | | | | 99,900 |
| Net estimates of cumulative claims costs | 99,900 | 13,526 | 11,709 | 15,538 | 14,224 | 12,597 | 11,311 | 11,502 | 28,056 | 15,363 | 13,171 | 246,897 |
| Cumulative payments to date | 99,899 | 13,526 | 11,658 | 15,231 | 14,144 | 12,499 | 10,661 | 11,140 | 26,330 | 14,148 | 7,780 | 237,016 |
| Net undiscounted liabilities for incurred claims | 1 | – | 51 | 307 | 80 | 98 | 650 | 362 | 1,726 | 1,215 | 5,391 | 9,881 |
| Risk adjustment | | | | | | | | | | | | 848 |
| Effect of discounting | | | | | | | | | | | | (572) |
| Other attributable expenses | | | | | | | | | | | | 1,977 |
| Net undiscounted liabilities for incurred claims | | | | | | | | | | | | 12,134 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts: (continued)

(c) Claims development (continued):

Gross undiscounted liabilities for incurred claims for 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 | | | | | | | | | | | | 1,492 |
| Effect of discounting | | | | | | | | | | | | (1,280) |
| Other attributable expenses | | | | | | | | | | | | 1,906 |
| Gross undiscounted liabilities for incurred claims | | | | | | | | | | | | 26,933 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts: (continued)

(c) Claims development (continued):

Net undiscounted liabilities for incurred claims for 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 | | | | | | | | | | | | 746 |
| Effect of discounting | | | | | | | | | | | | (632) |
| Other attributable expenses | | | | | | | | | | | | 194 |
| Net undiscounted liabilities for incurred claims | | | | | | | | | | | | 10,877 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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. As at December 31, 2024, \$NIL or 0% (2023 - \$2.1 million or 7.8%) of our liabilities for incurred claims provision is CAT related, while \$NIL or 0% (2023 - \$2.1 million or 13.0%) 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 (2023 - \$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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Insurance service expense:

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

| | 2024 | 2023 |
|---|----------------------|----------------------|
| Claims and benefits | \$ 16,358,463 | \$ 24,490,286 |
| Salaries and employee benefits | 2,331,555 | 2,701,839 |
| Professional fees (other than legal) | 351,362 | 427,857 |
| Legal fees | 33,887 | 5,479 |
| Net insurance acquisition cost including commissions, net of deferrals | 7,604,935 | 7,113,074 |
| Depreciation and amortization | 125,058 | 161,156 |
| Occupancy expenses (including rent, leasing and maintenance) | 176,856 | 224,987 |
| Information technology | 734,538 | 1,025,254 |
| Other general expenses | 714,607 | 763,756 |
| Total | \$ 28,431,261 | \$ 36,913,688 |
| Represented by: | | |
| Insurance service expenses | \$ 16,358,462 | \$ 25,614,471 |
| Insurance acquisition cashflows amortization | 8,981,437 | 8,334,353 |
| Total insurance service expense | 25,339,899 | 33,948,824 |
| General and operating expenses | 3,091,362 | 2,964,864 |
| Total | \$ 28,431,261 | \$ 36,913,688 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Net investment income:

| | 2024 | 2023 |
|--|--------------|--------------|
| Interest income: | | |
| Bonds and debentures classified as FVTPL | \$ 752,443 | \$ 724,276 |
| Bank account interest | 77,790 | 140,815 |
| Dividend income from common and preferred shares classified as FVTPL | 268,884 | 283,485 |
| Reinvested distributions from pooled funds and mutual funds | 788,573 | 400,922 |
| Realized gain on equity investments | 11,449 | 125,399 |
| Unrealized gain on investments: | | |
| Bonds and debentures classified as FVTPL | 756,998 | 933,668 |
| Equity investments classified as FVTPL | 1,664,997 | 328,368 |
| Investment management costs | (184,790) | (164,236) |
| | <hr/> | <hr/> |
| | \$ 4,136,344 | \$ 2,772,697 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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:

| | 2024 | 2023 |
|--|--------------|------------|
| Provision for income taxes based on combined basic Canadian federal and provincial income tax rate of 26.5% (2023 - 26.5%) | \$ 1,241,633 | \$ 959,393 |
| Increases (decreases) resulting from: | | |
| Changes related to IFRS 9 | – | (598,494) |
| Non-taxable income | (100,371) | (108,365) |
| Adjustment of prior years' income taxes | (13,603) | (9,429) |
| Other | (2,886) | (1,506) |
| Provision for income taxes | \$ 1,124,773 | \$ 241,599 |

(b) Deferred income taxes:

The movement in 2024 of deferred tax liabilities and assets is as follows:

| | Opening balance | Recognized in net comprehensive income (loss) | Closing balance |
|---------------------------------------|-----------------|---|-----------------|
| Deferred tax liabilities: | | | |
| Claims liabilities | \$ 157,659 | \$ (7,753) | \$ 149,906 |
| Deferred tax assets: | | | |
| Property and equipment | 24,371 | 5,712 | 30,083 |
| Deferred loss on bonds and debentures | 478,795 | (119,699) | 359,096 |
| Other | 99,025 | 10,604 | 109,629 |
| | 602,191 | (103,383) | 498,808 |
| Net deferred tax asset | \$ 444,532 | \$ (95,630) | \$ 348,902 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Income taxes (continued):

(b) Deferred income taxes (continued):

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 |

13. Supplemental information to statement of cash flows:

| | 2024 | 2023 |
|---|---------------|----------------|
| Cash provided by (used in): | | |
| Changes in working capital: | | |
| Accrued investment income | \$ (11,552) | \$ 10,650 |
| Prepaid expenses | 44,072 | (137,258) |
| Accounts payable and accrued liabilities | (44,365) | 522,642 |
| Income taxes payable | 941,970 | 947,993 |
| | \$ 930,125 | \$ 1,344,027 |
| Changes in insurance contract related balances: | | |
| Reinsurance contract assets | \$ 10,463,797 | \$ 1,521,105 |
| Insurance contract liabilities | (8,811,832) | (8,914,556) |
| | \$ 1,651,965 | \$ (7,393,451) |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

14. Related party transactions:

The Company incurred salaries, employee benefits and director's fees of \$1,326,438 (2023 - \$1,191,915) 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 2024 and 2023.

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.

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 – \$725,000 (2023 - \$650,000)
- Auto – \$600,000 (2023 - \$550,000)
- Liability – \$600,000 (2023 - \$600,000)

- The reinsurance treaties provide stop loss coverage that limits the amount of net losses for a year to 70% (2023 - 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 \$1,800,000 (2023 - \$1,750,000).

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, 2024.

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).

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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.

| 2024 | | | | | |
|-------------------------|-----------------------|--|--|--|--|
| 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 |
| Expected loss ratio | +5% | (206,141) | (153,852) | (151,514) | (113,082) |
| Inflation rate | +1% | (270,031) | (188,173) | (198,472) | (138,307) |
| Expected loss ratio | -5% | 206,121 | 157,589 | 151,499 | 115,828 |
| Inflation rate | -1% | 263,866 | 183,303 | 193,941 | 134,728 |

| 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 |
| Expected loss ratio | +5% | (192,000) | (193,000) | (141,120) | (141,855) |
| Inflation rate | +1% | (298,000) | (158,000) | (219,030) | (116,130) |
| Expected loss ratio | -5% | 192,000 | 195,000 | 141,120 | 143,325 |
| Inflation rate | -1% | 294,000 | 155,000 | 216,090 | 113,925 |

Concentration of risk:

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

| | 2024 | | | 2023 | | |
|------------|--------------|-------------------|------------|--------------|-------------------|------------|
| | Gross claims | Claims recoveries | Net claims | Gross claims | Claims recoveries | Net claims |
| Automobile | 5,055,606 | (2,468,768) | 2,586,838 | 4,555,947 | (1,845,513) | 2,710,434 |
| Property | 5,536,315 | (236,248) | 5,300,067 | 14,333,565 | (9,818,095) | 4,515,470 |
| Liability | 7,311,126 | (3,063,789) | 4,247,337 | 8,043,776 | (4,393,045) | 3,650,731 |
| | 17,903,047 | (5,768,805) | 12,134,242 | 26,933,288 | (16,056,653) | 10,876,635 |

GRENVILLE MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 reclassified to conform with the financial statement presentation adopted in the current year.