

Salus Mutual Insurance Company
Financial Statements
December 31, 2024

Salus Mutual Insurance Company Table of Contents

For the year ended December 31, 2024

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To the Policyholders of Salus Mutual Insurance Company:

Opinion

We have audited the financial statements of Salus Mutual Insurance Company (the "Company"), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income (loss), policyholders' surplus and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with 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 report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 these 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Wallaceburg, Ontario

February 28, 2025

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Salus Mutual Insurance Company
Statement of Financial Position

As at December 31, 2024

	Notes	2024	2023
Assets			
Cash and cash equivalents		\$ 6,371,968	\$ 6,587,362
Investments	10	73,157,005	68,641,926
Reinsurance contract assets	6	10,943,305	15,042,100
Other assets		404,468	208,208
Asset held for sale	14	180,000	-
Property and equipment	12	7,169,289	7,514,853
Deferred tax asset		2,840,050	6,190,674
		\$ 101,066,085	\$ 104,185,123
Liabilities			
Accounts payable and accrued liabilities		\$ 668,481	\$ 487,810
Refund to policyholders		855,039	-
Income tax payable		-	46,167
Insurance contract liabilities	6	40,574,017	48,461,389
		42,097,537	48,995,366
Policyholders' surplus			
Unappropriated policyholders' surplus		30,521,829	26,743,037
Contributed surplus		28,446,720	28,446,720
		58,968,548	55,189,757
		\$ 101,066,085	\$ 104,185,123

Subsequent event 14

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Salus Mutual Insurance Company
Statement of Comprehensive Income (Loss)

For the year ended December 31, 2024

	Notes	2024	2023
Insurance revenue	6, 7	\$ 42,787,250	\$ 43,196,066
Insurance service expense	6, 8	(31,706,791)	(56,256,223)
Insurance service result before reinsurance contracts held		11,080,459	(13,060,157)
Reinsurance premiums ceded	6	(3,944,084)	(4,458,759)
Recoverable from reinsurers for incurred claims		580,597	11,484,294
Net recovery (expense) from reinsurance contracts held		(3,363,487)	7,025,535
Insurance service result		7,716,972	(6,034,622)
Net investment income	10	6,987,941	5,292,257
Finance expense from insurance contracts issued		(1,608,347)	(1,556,731)
Finance income from reinsurance contracts held		319,246	246,100
Net insurance financial result		(1,289,101)	(1,310,631)
General and operating expenses	8	(5,428,657)	(5,552,475)
Refund to policyholders		(855,039)	-
Other expenses		(6,283,696)	(5,552,475)
Income (loss) before tax		7,132,116	(7,605,471)
Income tax (expense) recovery	11	(3,353,324)	1,410,376
Total comprehensive income (loss) for the year		\$ 3,778,792	\$ (6,195,095)

The accompanying notes are an integral part of these financial statements

Salus Mutual Insurance Company
Statement of Policyholders' Surplus

For the year ended December 31, 2024

	<i>Unappropriated policyholders' surplus</i>	<i>Contributed Surplus</i>
Balance at January 1, 2023	\$ 32,938,132	\$ 28,446,720
Comprehensive loss for the yer	(6,195,095)	-
Balance as at December 31, 2023	26,743,037	28,446,720
Comprehensive income for the year	3,778,792	-
Balance at December 31, 2024	\$ 30,521,829	\$ 28,446,720

The accompanying notes are an integral part of these financial statements

Salus Mutual Insurance Company

Statement of Cash Flows

For the year ended December 31, 2024

	<i>Notes</i>	<i>2024</i>	<i>2023</i>
Cash flows from operating activities			
Comprehensive income (loss) for the year		\$ 3,778,792	\$ (6,195,095)
Adjustments for:			
Depreciation of property and equipment	8	294,118	388,031
Net realized gains on FVTPL financial assets	10	(1,473,801)	(600,566)
Unrealized gains on FVTPL financial assets	10	(2,186,592)	(2,096,732)
Interest and dividend income	10	(3,556,159)	(2,836,065)
Loss on disposal of property and equipment		63,161	-
Income tax expense (recovery)		3,353,324	(1,410,376)
		(3,505,950)	(6,555,708)
Changes in working capital accounts			
Reinsurance contract assets		4,098,795	(7,573,738)
Other assets		(196,260)	(100,566)
Accounts payable and accrued liabilities		177,970	(736,122)
Refund to policyholders		855,039	-
Insurance contract liabilities		(7,887,372)	10,574,647
		(2,951,828)	2,164,221
Cash flows relating to interest, dividends and income taxes			
Interest and dividends received		3,724,013	2,797,829
Income taxes recovered (paid)		(48,867)	14,045
		996,160	(7,774,708)
Cash flows (used in) from investing activities			
Proceeds from sale of investments		89,216,086	29,762,107
Purchase of investments		(90,230,734)	(20,324,680)
Additions to property and equipment		(196,906)	(166,492)
Cash acquired through business combination	5	-	3,667,029
		(1,211,554)	12,937,964
(Decrease) increase in cash and cash equivalents		(215,394)	5,163,256
Cash and cash equivalents, beginning of year		6,587,362	1,424,106
Cash and cash equivalents, end of year		\$ 6,371,968	\$ 6,587,362

The accompanying notes are an integral part of these financial statements

1. CORPORATION INFORMATION

Salus Mutual Insurance Company (the Company) was formed and incorporated on January 1, 2023 through the amalgamation of former Howard Mutual Insurance Company and West Elgin Insurance Company under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property, liability, automobile, and farmers' accident insurance in Ontario. The Company's head office is located at 29584 Pioneer Line P.O. Box 312, Dutton, ON, Canada.wor

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

These financial statements have been authorized for issue by the Board of Directors on February 28, 2025.

2. BASIS OF PRESENTATION AND MEASUREMENT

The financial statements of the Company have been prepared in accordance with IFRS® Accounting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit or loss (FVTPL).

The Company presents its statement of financial position on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the statement of financial position date (current) and more than twelve months after the statement of financial position date (non-current), presented in the notes.

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

Reporting responsibilities

The financial statements and accompanying notes are the responsibility of management.

The external auditors of the Company are required to conduct an examination in accordance with Canadian generally accepted auditing standards to enable their reporting to the members as to whether the annual financial statements present fairly, in all material respects, the financial position and financial performance of the Company in accordance with IFRS.

The Appointed Actuary (the "Actuary") is appointed by the Board of Directors pursuant to the Insurance Companies Act. The Actuary is responsible for ensuring that the assumptions and methods used in the valuation of insurance contract liabilities are in accordance accepted actuarial practice in Canada, applicable legislation and associated regulations or directives. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of insurance contract liabilities are important elements of the work required to form this opinion.

In accordance with a Joint Policy Statement issued by the Chartered Professional Accountants and the Canadian Institute of Actuaries, the auditor and the Actuary may make use of each other's work in discharging their respective responsibilities.

3. MATERIAL ACCOUNTING POLICIES

a) INSURANCE AND REINSURANCE CONTRACTS

i. Insurance contracts 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.

ii. Separating components from insurance and reinsurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract.

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

iii. Levels of aggregation

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

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

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

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

iv. Recognition

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

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

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

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

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*

The General Measurement Model

The Company applies this model to acquired contracts as a result of the business combination described in Note 5. All other groups of insurance contracts qualify under the premium allocation approach ("PAA").

a. *Insurance contracts – initial measurement*

On initial recognition, the groups of contracts acquired in the business combination is the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received in the fair value of the contracts at that date.

The Contractual Service Margin ("CSM") of a group of insurance contracts represents the unearned profit that the Company expects to recognize in the future as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfilment cash flows, any derecognized assets for insurance acquisition cash flows, and any cash flows arising at that date is a net inflow, the group of contracts is non-onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no net income or expenses arising on initial recognition.

b. *Insurance contracts – subsequent measurement*

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

The liability for remaining coverage comprises the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows for groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates, and current estimates of risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognized as follows:

- Changes relating to future services (adjusted against the CSM)
- Changes relating to current or past services (recognized in the insurance service result in the statement of comprehensive income (loss))
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows (recognized as insurance finance income/expense)

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the start of the reporting period, adjusted for:

- The CSM of any new contracts that are added to the group in the period,
- Interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns of any underlying items determined on initial recognition,
- The changes in fulfilment cash flows that relate to future services, except to the extent that:
 - Any increases in the fulfilment cash flows that exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in the statement of comprehensive income (loss); or
 - Any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognized in the statement of comprehensive income (loss).
- The amount recognized as insurance revenue because of the services provided in the period.

The changes in fulfilment cash flows that relate to future services that adjust the CSM comprise of:

- Experience adjustments arising from premium and premium related cash flows received in the period that relate to future services, and
- Changes in both estimates of the present value of future cash flows and risk adjustment in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money and financial risk changes.

c. *Amortization of the Contractual Service Margin (CSM)*

An amount of the CSM for a group of insurance contracts is recognized in the statement of comprehensive income (loss) as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount that is recognized in the statement of comprehensive income (loss) for the current period is determined by identifying the coverage units in the group, allocating the CSM at the end of the period to each coverage unit provided in the current period and expected to be provided in the future periods.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

Premium Allocation Approach (“PAA”)

	<i>IFRS 17 Options</i>	<i>Adopted approach</i>
PAA Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for all insurance and reinsurance contracts other than the contracts acquired through the business combination is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.	For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, 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 LRC.	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, (LIC) 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 LIC resulting from changes in discount rates and present this in the statement of Comprehensive Income (Loss).	For all contracts, the change in LIC as a result of changes in discount rates will be captured within comprehensive income (loss).

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

a. 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, and
- Any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

b. *Reinsurance contracts held – initial measurement*

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

c. *Insurance contracts held – 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, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment).

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

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

d. *Reinsurance contracts held – 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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

vii. Insurance acquisition cash flows

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

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

viii. Insurance contracts – modification and derecognition

The Company derecognizes a contract when it is extinguished, which is when the specified obligations in the contract expire or are discharged or cancelled.

When an insurance contract not accounted for under the PAA is derecognized from within a group of insurance contracts:

- The fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognized,
- The CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component, and
- The number of coverage units for the expected remaining coverage is adjusted to reflect the coverage units derecognized from the group.

If a contract is derecognized because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

Insurance contracts accounted for under PAA is derecognized when:

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

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

ix. Presentation

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

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)**a) INSURANCE AND REINSURANCE CONTRACTS (Continued)***x. Insurance revenue*

For contracts not accounted for under the PAA, the Company recognizes insurance revenue as it satisfies its performance obligations. The insurance revenue relating to services provided for each year represents the total of changes in the liability for remaining coverage that relates to services for which the Company expects to receive consideration and comprises the following items.

- A release of the CSM, measured based on coverage units provided,
- Claims and other insurance service expenses incurred in the year, and
- Other amounts, including experience adjustments for premium receipts for current or past services.

For contracts accounted for under the PAA, 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 based on the passage of time.

xi. 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. At year-end, there are no onerous contracts from insurance contracts issued.

xii. Loss-recovery components

As described in Note 4(a)(xv) above, where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

xiii. Finance expense from insurance contracts issued

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

3. MATERIAL ACCOUNTING POLICIES (Continued)**a) INSURANCE AND REINSURANCE CONTRACTS (Continued)***xiv. Finance income from reinsurance contracts held*

The Company separately presents on the face of the statement of comprehensive income (loss), the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the statement of comprehensive income (loss).

xv. Insurance service expenses

Insurance service expense include all claims and insurance benefits occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, amortization of insurance acquisition cash flow, losses on onerous contracts and reversals of those losses, reduced for the value of salvage and subrogation, any adjustments to claims outstanding from previous years, and impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses. The Company will recognize the non-financial component of changes related to the risk adjustment in insurance service expenses.

b) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on deposit with financial institutions and investments with an original maturity of three months or less from the date of acquisition.

c) INVESTMENTS*i. Financial assets*

The Company designates all financial assets including cash and cash equivalents and investments as fair value through profit and loss (FVTPL) and subsequently measures these financial assets at fair value. The Company initially recognizes financial assets at fair value on the trade date at which the Company becomes a party to the contractual provisions of the asset.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3 - Inputs for the asset that are based on unobservable inputs.

The level in the fair value hierarchy within which the fair value measurement is categorized is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

ii. Net investment income (loss)

Net investment income consists of dividends, interest, realized gains and losses and unrealized gains and losses. Interest income is recognized as it accrues in the statement of comprehensive income, using the effective interest method. Dividend income is recognized in the statement of comprehensive income (loss) on the date that the Company's right to receive payment is established. Investment management and custodial fees expenses are recognized as incurred.

3. MATERIAL ACCOUNTING POLICIES (Continued)

c) INVESTMENTS (Continued)

iii. Financial Liabilities

Financial liabilities are recognized initially at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company has the following financial liabilities: accounts payable and accrued liabilities.

Financial liabilities are subsequently measured at amortized cost.

d) INCOME TAXES

Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the statement of comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the year using enacted or substantially enacted at the year end and includes any adjustments to tax payable in respect of previous years. Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

e) PROPERTY AND EQUIPMENT

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Costs include expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in the statement of comprehensive income (loss).

Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Company and the item can be reliably measured. Repairs and maintenance are charged to the statement of comprehensive income (loss) in the period in which they have been incurred.

Depreciation is recognized in the of statement comprehensive income (loss) using the following methods and rates:

Buildings	40 year straight-line
Land Improvements	10 year straight-line
Furniture and fixtures	8 year straight-line
Vehicles	8 year straight-line
Computer	3-5 year straight-line

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment losses are recognized in the statement of comprehensive income (loss) as an expense.

Property and equipment which meet the criteria for assets held for sale have been reclassified on the statement of financial position. These assets have been recorded at the lower of cost and estimated net realizable value.

3. MATERIAL ACCOUNTING POLICIES (Continued)**f) EMPLOYEE FUTURE BENEFITS***Pension plan*

The Company makes contributions on behalf of its employees to "The Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies" (the pension plan"). The pension plan is being accounted for as a multi-employer pension plan as defined by IAS 19 Employee Benefits. Eligible employees participate in the defined benefit plan. The defined benefit plan specifies the amount of the retirement benefit to be received by the employee based on the number of years the employee has contributed and his/her final average earnings. The plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. Under the terms of the Ontario Mutual Insurance Association Pension Plan, the Company is liable for the obligations of other companies participating in the pension should they be unable to satisfy their respective funding requirements.

The Company is one of a number of employers who have pooled the assets and liabilities of the pension plan to take advantage of economies of scale in making investment decisions and in minimizing expenses. The information to account for the plan as a defined benefit plan is not readily available for each company to determine its share of the assets and liabilities of the plan. In the event of a wind-up or withdrawal from the plan, the Company is responsible for its portion of the deficit and all expenses as determined by the plan actuary.

g) STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted; however, the Company has not early adopted the new standards in preparing these financial statements. The following standards are expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual periods beginning on or after January 1, 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal.
- Management-defined performance measures (MPMs) 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 cashflows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's statement of comprehensive income (loss), the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

3. MATERIAL ACCOUNTING POLICIES (Continued)

h) STRUCTURED SETTLEMENTS AND FIRE MUTUALS GUARANTEE FUND

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

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

4. CRITICAL ACCOUNTING ESTIMATES

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

Estimates and Assumptions

a) *Liability for remaining coverage*

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

i. *Onerous groups*

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

ii. *Time value of money*

The Company does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money or the effect of financial risk for any of its product lines or groups of contracts that are onerous when the liability for remaining coverage is determined.

b) *Liability for incurred claims*

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

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claim 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

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

Estimates and Assumptions (Continued)

b) Liability for incurred claims (continued)

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 projects are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in the 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 into 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, delays in settlement and changes in foreign currency exchange rates.

a. Discount rates

Liabilities for incurred claims are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid sovereign securities. The illiquidity premium is determined by reference to observable market rates.

Discount rates (in %) applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2024	2023	2024	2023	2024	2023	2024	2023
Insurance Contract Liabilities	3.06	4.52	3.01	3.70	3.20	3.53	3.84	3.77
Reinsurance Contract Assets	3.06	4.52	3.01	3.70	3.20	3.53	3.84	3.77

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates and risk adjustments has been disclosed in Note 6 (a)i.

b. Risk adjustment for non-financial risk

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 65th percentile (2023 – 65th percentile). That is, the Company has assessed that in order to be indifferent to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) they require an additional amount equivalent to the 65th percentile level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates and risk adjustments has been disclosed in Note 6 (a)i.

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, aside from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements.

a) Measurement of income taxes

Management exercises judgement in estimating the provision for income taxes. The Company is subject to income tax laws in Ontario. Various tax laws are potentially subject to different interpretations by the Company and the relevant tax authority. In the event the Company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

Significant management judgement is also required to determine the deferred tax balances. Management is required to determine the amount of deferred tax assets and liabilities that can be recognized, based on their best estimate of the likely timing that the temporary difference will be realized, and of the likelihood that taxable profits will exist in the future.

b) Measurement of insurance acquisition cash flows

Management exercises judgement when determining the allocation basis applied to insurance acquisition cash flows.

c) Classification of financial assets

Classification of financial assets requires management to make judgements regarding the business model under which the Company's financial assets are held and whether contractual cash flows consist solely of payments of principal and interest.

d) Measurement of assets and liabilities in a business combination

The Company has measured the fair value of insurance contracts when it acquired contracts in a business combination and when it applied the fair value approach on transition to IFRS 17. The Company has measured the fair value of insurance contracts as the sum of the present value of the net cash flows expected to be generated by the contracts, determined using a discounted cash flow technique and an additional margin, determined using a confidence level technique.

The cash flows considered in the fair value measurement are consistent with those that were within the contract boundary. Therefore, the cash flows related to expected future renewals of insurance contracts are not considered in determining the fair value of those contracts if they are outside the contract boundary.

e) CSM

The CSM of a group of contracts is recognized in the statement comprehensive income (loss) to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considered for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

The Company determines the quantity of the benefits provided under each contract using the expected amount of claims to be settled in each period.

An analysis of the expected timing of the allocation of the CSM to profit or loss is disclosed in Note 9.

5. BUSINESS COMBINATION

Effective January 1, 2023, Howard Mutual Insurance Company (Howard) amalgamated with West Elgin Mutual Insurance Company (West Elgin). Howard was identified as the acquirer and West Elgin as the acquiree. Subsequent to the amalgamation, the combined entity changed its name to Salus Mutual Insurance Company (the Company). Salus provides personalized insurance products for homes, automobiles, business and farms. As a result of the amalgamation, the Company expects to spread the insurance risk over a broader geographic region.

Business combinations are accounted for using the acquisition method. The results of the acquired business are included in the financial statements from the date of acquisition.

There was no cash transferred and no contingent consideration was provided for West Elgin.

The Company's statement of comprehensive income (loss) includes the results of operations for the combined entity for the year ended December 31, 2023. The acquired business contributed insurance revenue of \$25,744,892 for the period from January 1, 2023 to December 31, 2023.

The following table summarizes the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition.

Acquired assets and assumed liabilities	West Elgin Pre- Amalgamation Carrying Amount	Fair-value Adjustment	Fair value at January 1, 2023
Cash and cash equivalents	\$ 3,667,029	\$ -	\$ 3,667,029
Investments	33,755,981	-	33,755,981
Reinsurance contract assets	2,582,913	-	2,582,913
Property and equipment	7,150,223	(694,700)	6,455,523
Deferred income asset	891,000	-	891,000
Accounts payable and accrued liabilities	(917,522)	-	(917,522)
Insurance contract liabilities	(17,986,963)	-	(17,986,963)
Income taxes payable	(1,241)	-	(1,241)
Net identifiable assets and liabilities	\$ 29,141,420	\$ (694,700)	\$ 28,446,720

No goodwill was recognized on the above noted business combination.

The fair value of the acquired business was determined and estimated by applying an income approach.

The Company recorded acquisition-related costs in general and operating expenses on the statement of comprehensive income (loss).

6. INSURANCE AND REINSURANCE CONTRACTS

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

The risks written by the Company are concentrated within Ontario.

a) Insurance risk

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

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

The Company writes insurance primarily over a twelve-month duration except for acquired contracts that do not qualify for the PAA. The most significant risks arise through high severity, low frequency events such as natural disasters or catastrophes. A concentration of risk may arise from insurance contracts issued in a specific geographic location since all insurance contracts are written in Ontario.

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company has implemented an overall risk management framework. Exposures are limited by having documented underwriting limits, appetite and approvals. Pricing of property, and liability policies are based on assumptions, past experience, current trends, and future expectations, in an attempt to correctly match policy revenue with exposed risk.

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are established by product line. Amounts recoverable from the reinsurer are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of \$1,200,000 (2023 - \$1,000,000) in the event of a property claim, \$1,200,000 (2023 - \$1,000,000) in the event of an automobile claim, \$1,200,000 (2023 - \$1,000,000) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to \$3,000,000 (2023 - \$2,400,000) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 70% (2023 – 70%) of gross net earned premiums.

i. Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

i. Sensitivities (Continued)

The following sensitivity analysis shows the impact on profit (loss), loss before tax and policyholders' surplus for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Amounts in \$'000	Change in assumptions	2024			
		Impact on income (loss) before tax, gross of reinsurance	Impact on income (loss) before tax, net of reinsurance	Impact on policyholders' surplus, gross of reinsurance	Impact on policyholders' surplus, net of reinsurance
Expected loss	5.00%	(528)	(397)	(391)	(293)
Inflation rate	1.00%	(566)	(415)	(419)	(307)
Discount rate	1.00%	529	389	392	288
Expected loss	-5.00%	528	396	391	293
Inflation rate	-1.00%	551	405	408	300
Discount rate	-1.00%	(554)	(406)	(410)	(300)
		2023			
	Change in assumptions	Impact on loss before tax, gross of reinsurance	Impact on loss before tax, net of reinsurance	Impact on policyholders' surplus, gross of reinsurance	Impact on policyholders' surplus, net of reinsurance
Expected loss	5.00%	(544)	(399)	(405)	(297)
Inflation rate	1.00%	(626)	(465)	(467)	(346)
Discount rate	1.00%	577	434	430	324
Expected loss	-5.00%	545	397	406	295
Inflation rate	-1.00%	612	456	456	339
Discount rate	-1.00%	(601)	(452)	(448)	(337)

ii. Claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each reporting date, together with cumulative payments to date.

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

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

ii. Claims development (Continued)

Gross discounted liabilities for incurred claims for 2024 (Amounts in 000's)

Amounts in \$'000	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Gross of Reinsurance											
End of insured event year	\$ 15,675	\$ 17,482	\$ 20,161	\$ 19,885	\$ 24,377	\$ 24,872	\$ 20,029	\$ 19,924	\$ 35,232	\$ 22,323	
One year later	13,354	15,898	16,865	17,162	22,845	18,720	18,775	20,253	34,763		
Two years later	12,786	16,076	18,006	17,235	18,219	18,518	18,470	18,022			
Three years later	11,818	16,010	16,687	15,203	17,978	18,568	17,472				
Four years later	11,214	16,604	13,994	15,084	18,828	18,243					
Five years later	11,256	14,952	14,138	15,956	18,332						
Six years later	10,494	15,290	14,374	15,103							
Seven years later	10,472	15,035	14,696								
Eight years later	10,407	15,103									
Nine years later	10,406										
Gross estimates of the undiscounted amount of the claims	10,406	15,103	14,696	15,103	18,332	18,243	17,472	18,022	34,763	22,323	184,463
Cumulative payments to date	10,406	14,843	13,822	14,709	14,822	16,031	16,367	14,939	29,216	11,162	156,317
Gross undiscounted liabilities for incurred claims	-	260	874	394	3,510	2,212	1,105	3,083	5,547	11,161	28,146
Outstanding claims 2014 and prior											1,015
Risk adjustment											1,338
Effect of discounting											(1,848)
Gross IBNR											2,184
Total liabilities for incurred claims											\$ 30,835

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

- ii. *Claims development (Continued)*
Net discounted liabilities for incurred claims for 2024 (Amounts in 000's)

Amounts in \$'000	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Net of Reinsurance											
End of insured event year	\$ 13,347	\$ 14,104	\$ 17,630	\$ 17,632	\$ 19,705	\$ 20,661	\$ 16,922	\$ 18,759	\$ 32,902	\$ 20,911	
One year later	11,549	13,460	15,512	16,033	18,522	16,093	17,366	19,422	31,719		
Two years later	11,476	13,761	16,025	16,834	16,420	16,115	16,911	17,424			
Three years later	10,845	13,578	15,239	14,583	15,711	15,861	16,319				
Four years later	10,406	12,695	13,085	14,820	16,292	15,683					
Five years later	10,471	11,948	13,111	15,559	16,419						
Six years later	10,077	12,066	13,149	14,824							
Seven years later	10,055	11,919	13,252								
Eight years later	9,989	12,006									
Nine years later	9,989										
Net estimates of the undiscounted amount of the claims	9,989	12,006	13,252	14,824	16,419	15,683	16,319	17,424	31,719	20,911	168,546
Cumulative payments to date	9,989	11,825	12,939	14,449	13,893	14,056	15,514	14,905	27,886	10,997	146,453
Net undiscounted liabilities for incurred claims	-	181	313	375	2,526	1,627	805	2,519	3,833	9,914	22,093
Outstanding claims 2014 and prior											202
Risk adjustment											1,051
Effect of discounting											(1,363)
Net IBNR											(784)
Total net liabilities for incurred claims											\$ 21,199

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management

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

i. Credit risk

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

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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

The Company manages its credit exposure based on the carrying value of the financial instruments and reinsurance contract assets. The table below provides information regarding the credit quality of reinsurance contract assets and debt instruments measured at FVTPL.

	2024					
	AAA	AA	A	Less Than A	Not Rated	Total
Reinsurance Contract Assets	\$ -	\$ -	\$ -	\$10,943,305	\$ -	\$10,943,305
Guaranteed Investment Certificates	-	1,504,000	190,000	-	671,241	\$2,365,241
Bonds	21,535,229	8,331,685	11,566,845	3,197,530	1,303,983	\$45,935,272
Pooled Funds –						
Commercial Mortgages	-	-	-	-	4,171,893	4,171,893
	\$21,535,229	\$9,835,685	\$11,756,845	\$14,140,835	\$6,147,117	\$63,415,711
	2023					
	AAA	AA	A	Less Than A	Not Rated	Total
Reinsurance Contract Assets	\$ -	\$ -	\$ -	\$15,042,100	\$ -	\$15,042,100
Guaranteed Investment Certificates	-	2,630,738	191,737	-	821,747	3,644,222
Bonds	15,000,954	4,260,236	2,916,674	1,814,559	1,704,459	25,696,882
Pooled Funds –						
Canadian Fixed Income	5,083,906	1,673,101	3,637,842	1,217,009	20,446	11,632,304
Commercial Mortgages	-	-	-	-	7,086,274	7,086,274
	\$20,084,860	\$8,564,075	\$6,746,253	\$18,073,668	\$9,632,926	\$63,101,782

Concentrations of credit risk

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure credit risk.

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. Claim payments are funded by current operating cash flow including investment income.

The maturity profile of the Company's financial assets, financial liabilities and insurance liabilities are summarised in the following table. Maturity profile amounts are stated at the expected cash flows (principal and interest) and are analysed by their expected payment dates. Liabilities for remaining coverage measure under the PAA have been excluded from the analysis.

For the year ended December 31, 2024

	Less Than 1 Year	1 to 3 years	3 to 5 years	Over 5 Years	Total
Financial assets					
Cash and cash equivalents	\$6,371,968	-	-	-	\$6,371,968
Investments	26,408,636	21,130,167	20,302,385	2,835,464	70,676,652
Insurance assets					
Reinsurance contract assets	6,757,216	1,871,276	1,447,635	867,178	10,943,305
Total assets	\$39,537,820	\$23,001,443	\$21,750,020	\$3,702,642	\$87,991,925
Insurance liabilities					
Liability for incurred claims	\$14,495,706	\$7,284,153	\$5,563,828	\$2,154,900	\$29,498,587
Financial liabilities					
Accounts payable and accrued liabilities	668,481	-	-	-	668,481
Refund to policyholders	855,039	-	-	-	855,039
Total liabilities	\$15,164,187	\$7,284,153	\$5,563,828	\$2,154,900	\$30,167,068
Net liquidity gap	\$24,373,633	\$15,717,290	\$16,186,192	\$1,547,742	\$57,824,857

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

ii. Liquidity risk (Continued)

For the year ended December 31, 2023

	Less Than 1 Year	1 to 3 years	3 to 5 years	Over 5 Years	Total
Financial assets					
Cash and cash equivalents	\$6,587,362	-	-	-	\$6,587,362
Investments	32,658,019	20,950,235	7,721,002	7,312,670	68,641,926
Insurance assets					
Reinsurance contract assets	11,335,100	1,922,000	1,019,000	766,000	15,042,100
Total assets	\$50,580,481	\$22,872,235	\$8,740,002	\$8,078,670	\$90,271,388
Insurance liabilities					
Liability for incurred claims	\$23,531,547	\$8,815,000	\$5,667,000	\$1,741,000	\$39,754,547
Financial liabilities					
Accounts payable and accrued liabilities	487,810	-	-	-	487,810
Total liabilities	\$24,019,357	\$8,815,000	\$5,667,000	\$1,741,000	\$40,242,357
Net liquidity gap	\$26,561,124	\$14,057,235	\$3,073,002	\$6,337,670	\$50,029,031

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

iii. Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, price risk and currency risk.

a) Interest rate risk

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

The Company is also exposed to interest rate risk through its interest-bearing investments.

At December 31, 2024, a 1% move in interest rates, with all other variables held constant, could impact the market value of the interest bearing investments by \$1,237,000 (2023 - \$577,000). These changes would be recognized in the statement of comprehensive income (loss).

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)*iii) Market risk (Continued)*

b) Price risk

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

At December 31, 2024, a 10% move in equity markets, with all other variables held constant, would have an estimated effect on the fair values of these equity holdings of \$1,598,000 (2023 - \$2,024,000). This change would be recognized in the statement of comprehensive income (loss).

The Company has investment policies regarding limits on the total amount invested in equities as well as limits on securities of a single issuer. Adherence to the policies are monitored by the Board of Directors and holdings are adjusted on a quarterly basis to ensure compliance with the policies.

c) Currency risk

Currency risk represents the risk that the Company incurs losses due to exposure to foreign currency fluctuations. The Company is exposed to this risk through its equity holdings within its investment portfolio.

At December 31, 2024, a 10% change in the value of the United States dollar would have an estimated effect on the fair values of these foreign holdings of \$414,000 (2023 - \$293,000). This change would be recognized in the statement of comprehensive income (loss).

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

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

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

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

Liability for insurance contracts that fall under PAA.

<i>For the period ended December 31, 2024</i>	Liabilities for remaining coverage	Liabilities for incurred claims, PAA		Total
	Ex. Loss component	Expected PVFCF*	Risk Adjustment	
Opening insurance contract liabilities	\$7,383,868	\$29,453,210	\$1,051,666	\$37,888,744
Insurance revenue	(40,157,287)	-	-	(40,157,287)
Incurred claims and other expenses	-	28,307,136	104,871	28,412,007
Amortization of insurance acquisition cash flows	5,014,355	-	-	5,014,355
Changes to liabilities for incurred claims	-	(3,633,032)	(45,588)	(3,678,620)
Insurance service result	(35,142,932)	24,674,104	59,283	(10,409,545)
Finance expense from insurance contracts issued	-	1,137,769	-	1,137,769
Total changes in the statement of comprehensive income (loss)	(35,142,932)	25,811,873	59,283	(9,271,776)
Cash flows				
Premiums received	40,893,702	-	-	40,893,702
Claims, benefits and other expenses paid	-	(30,695,134)	-	(30,695,134)
Insurance acquisition cash flows	(5,864,493)	-	-	(5,864,493)
Total cash flows	35,029,209	(30,695,134)	-	4,334,075
Ending balance insurance contract liabilities	\$7,270,145	\$24,569,949	\$1,110,949	\$32,951,043

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

c) Roll forward of net asset or liability for insurance contracts (Continued)

<i>For the period ended December 31, 2023</i>	Liabilities for remaining coverage	Liabilities for incurred claims, PAA		Total
	Ex. Loss component	Expected PVFCF*	Risk Adjustment	
Opening insurance contract liabilities	\$3,781,965	\$16,000,310	\$117,504	\$19,899,779
Insurance revenue	(37,045,990)	-	-	(37,045,990)
Incurred claims and other expenses	-	43,071,616	581,535	43,653,151
Amortization of insurance acquisition cash flows	3,603,241	-	-	3,603,241
Changes to liabilities for incurred claims	-	1,715,892	352,627	2,068,519
Insurance service result	(33,442,749)	44,787,508	934,162	12,278,921
Insurance finance expenses	-	775,495	-	775,495
Total changes in the statement of comprehensive income (loss)	(33,442,749)	45,563,003	934,162	13,054,416
Cash flows				
Premiums received	41,032,635	-	-	41,032,635
Claims and other expenses paid	-	(32,110,103)	-	(32,110,103)
Insurance acquisition cash flows	(3,987,983)	-	-	(3,987,983)
Total cash flows	37,044,652	(32,110,103)	-	4,934,550
Ending balance insurance contract liabilities	\$7,383,868	\$29,453,210	\$1,051,666	\$37,888,744

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

c) Roll forward of net asset or liability for insurance contracts (Continued)

Liability for insurance contracts that do not fall under PAA.

<i>December 31, 2024</i>	PVFCF*	Non financial risk adjustment	CSM	Total
Balance as at 1 January, 2024	\$ 8,586,101	\$ 370,080	\$ 1,616,464	\$ 10,572,645
Changes that relate to future services				
Changes in estimates that adjust the CSM	(1,634,605)	(42,890)	1,677,495	-
Changes in estimates that do not adjust the CSM	1,394,953	90,643	-	1,485,596
Changes that relate to current services				
Contractual services margin recognized in profit or loss for services provided	-	-	(929,467)	(929,467)
Risk adjustment recognised for the risk expired	-	(173,080)	-	(173,080)
Experiences adjustments	(1,053,963)	-	-	(1,053,963)
Insurance Service Result	(1,293,615)	(125,327)	748,028	(670,914)
Insurance finance expenses	385,487	-	85,091	470,578
Total changes in the statement of income and comprehensive income (loss)	(908,128)	(125,327)	833,119	(200,336)
Cash flows:				
Claims and other expenses paid	(2,749,335)	-	-	(2,749,335)
Closing insurance contract liabilities	\$ 4,928,638	\$ 244,753	\$ 2,449,583	\$ 7,622,974

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

c) Roll forward of net asset or liability for insurance contracts (Continued)

Liability for insurance contracts that do not fall under PAA.

<i>December 31, 2023</i>	PVFCF*	Non financial risk adjustment	CSM	Total
Net balance as at 1 January, 2023	-	-	-	-
<i>Changes that relate to future services</i>				
Changes in estimates that adjust the CSM	(1,709,198)	92,734	1,616,464	-
Changes in estimates that do not adjust the CSM	1,517,250	172,629	-	1,689,879
Contracts initially recognized in the period	(171,210)	171,210	-	-
<i>Changes that relate to current services</i>				
Risk adjustment recognized for the risk expired	-	(66,493)	-	(66,493)
Experiences adjustments	(842,150)	-	-	(842,150)
Insurance Service Result	(1,205,308)	370,080	1,616,464	781,236
Insurance finance expenses	781,698			781,698
Total changes in the statement of income and comprehensive income (loss)	(423,610)	370,080	1,616,464	1,562,934
Cash flows:				
Premiums received	14,251,145	-	-	14,251,145
Claims and other expenses paid	(5,241,434)	-	-	(5,241,434)
Total cash flows	9,009,711	-	-	9,009,711
Net closing balance insurance contract liabilities	\$8,586,101	\$370,080	\$1,616,464	\$10,572,645

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance contracts

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

Asset for reinsurance contracts that fall under PAA.

<i>For the period ended December 31 2024</i>	Assets for remaining coverage	Amounts Recoverable on incurred claims, PAA		Total
	Ex. Loss component	Expected PVFCF	Risk Adjustment	
Opening reinsurance contract assets	\$(448,934)	\$12,479,132	\$382,490	\$12,412,688
Allocation of reinsurance premiums	(3,944,084)	-	-	(3,944,084)
Amounts recoverable for claims and other expenses incurred in the period	-	944,236	(173,296)	770,940
Changes in amounts recoverable for incurred claims	-	(396,101)	22,773	(373,328)
Net income or expense from reinsurance contracts held	(3,944,084)	548,135	(150,523)	(3,546,472)
Reinsurance finance income	-	199,936	-	199,936
Total changes in the statement of comprehensive income	(3,944,084)	748,071	(150,523)	(3,346,536)
Premiums paid	3,850,485	-	-	3,850,485
Amounts received	-	(4,636,273)	-	(4,636,273)
Total cash flows	3,850,485	(4,636,273)	-	(785,788)
Net closing reinsurance contract assets	\$(542,533)	\$8,590,930	\$231,967	\$8,280,364

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance contracts (Continued)

<i>For the period ended December 31 2023</i>	Assets for remaining coverage	Amounts Recoverable on incurred claims, PAA		Total
		Ex. Loss component	Expected PVFCF	
Opening reinsurance contract assets	\$418,614	\$4,438,054	\$28,781	\$4,885,449
Allocation of reinsurance premiums	(3,725,948)	-	-	(3,725,948)
Amounts recoverable for claims and other expenses incurred in the period	-	9,219,646	225,679	9,445,325
Changes in amounts recoverable for incurred claims	-	1,129,491	128,030	1,257,521
Net income or expense from reinsurance contracts held	(3,725,948)	10,349,137	353,709	6,976,898
Reinsurance finance income	-	123,351	-	123,351
Total changes in the statement of comprehensive income	(3,725,948)	10,472,488	353,709	7,100,249
Premiums paid	2,858,400	-	-	2,858,400
Amounts received	-	(2,431,410)	-	(2,431,410)
Total cash flows	2,858,400	(2,431,410)	-	426,990
Net closing reinsurance contract assets	\$(448,934)	\$12,479,132	\$382,490	\$12,412,688

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance contracts (Continued)

Asset for reinsurance contracts that do not fall under PAA.

<i>December 31, 2024</i>	PVFCF*	Non financial risk adjustment	CSM	Total
Net reinsurance contract assets as at January 1, 2024	\$1,974,561	\$97,571	\$557,280	\$2,629,412
<i>Changes that relate to current services</i>				
Contractual service margin recognized for services received	-	-	300,369	300,369
Risk adjustment recognized for the risk expired	-	(34,537)	-	(34,537)
Experience adjustments	(427,187)	-	-	(427,187)
<i>Changes that relate to future services</i>				
Changes in estimates that adjust the CSM	(365,740)	(23,157)	388,897	-
Changes in estimates that do not adjust the CSM	329,313	15,027	-	344,340
Reinsurance finance income	66,647	-	52,663	119,310
Total changes in the statement of comprehensive loss	(396,967)	(42,667)	741,929	302,295
<i>Cash flows</i>				
Amounts received	(268,766)	-	-	(268,766)
Total cash flows	(268,766)	-	-	(268,766)
Net closing reinsurance contract assets	\$1,308,828	\$54,904	\$1,299,209	\$2,662,941

* PVFCF refers to present value of future cash flows

6. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance contracts (Continued)

Asset for reinsurance contracts that do not fall under PAA.

<i>December 31, 2023</i>	PVFCF*	Non financial risk adjustment	CSM	Total
Net reinsurance contract assets as at January 1, 2023	-	-	-	-
<i>Changes that relate to current services</i>				
Risk adjustment recognized for the risk expired	-	(9,218)	-	(9,218)
Experience adjustments	(598,709)	-	-	(598,709)
<i>Changes that relate to future services</i>				
Contracts initially recognized in the period	(42,390)	42,390	-	-
Changes in estimates that adjust the CSM	(561,305)	4,025	557,280	-
Changes in estimates that do not adjust the CSM	596,190	60,374	-	656,563
Reinsurance finance income	122,749	-	-	122,749
Total changes in the statement of comprehensive loss	(483,466)	97,571	557,280	171,385
<i>Cash flows</i>				
Premiums and similar expenses paid	2,582,911	-	-	2,582,911
Amounts received	(124,884)	-	-	(124,884)
Total cash flows	2,458,027	-	-	2,458,027
Net closing reinsurance contract assets	\$1,974,561	\$97,571	\$557,280	\$2,629,412

* PVFCF refers to present value of future cash flows

7. INSURANCE REVENUE

	2024	2023
Contracts not measured under PAA		
Amounts relating to the changes in the liability for remaining coverage		
Expected insurance service expenses incurred in the period	\$ 464,442	\$ 5,241,434
Change in the risk adjustment for non-financial risk	173,079	66,492
Amount of CSM recognised in profit or loss	929,467	-
Other amounts including experience adjustments for premium receipts	1,062,975	842,150
	2,629,963	6,150,076
Contracts measured under PAA	40,157,287	37,045,990
Insurance revenue	\$ 42,787,250	\$43,196,066

8. INSURANCE SERVICE EXPENSE

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

	2024	2023
Claims	\$ 23,885,362	\$ 45,885,652
Commissions	4,479,765	4,082,260
Depreciation	294,118	388,031
Information technology	1,146,451	1,470,344
Legal fees	(17,241)	51,822
Loss on disposal of property	68,352	-
Occupancy	491,319	448,981
Other general expenses	795,897	1,913,467
Professional fees	825,539	1,135,810
Salaries and employee benefits	5,165,886	6,432,331
Total	\$ 37,135,448	\$ 61,808,698

Represented by:	2024	2023
Insurance service expenses	\$ 31,706,791	\$ 56,256,223
General and operating expenses	5,428,657	5,552,475
Total	\$ 37,135,448	\$ 61,808,698

9. CSM recognition in income or loss

The disclosure of when the CSM is expected to be in income or loss in future years is presented below:

	2024				Total
	Less than 1 year	1-3 years	3-5 years	5-10 years	
Insurance contracts issued	1,225,278	831,349	333,682	59,274	\$ 2,449,583
Reinsurance contracts held	896,591	170,828	147,601	84,189	\$ 1,299,209

	2023				Total
	Less than 1 year	1-3 years	3-5 years	5-10 years	
Insurance contracts issued	851,224	375,619	284,878	104,743	\$ 1,616,464
Reinsurance contracts held	293,421	129,481	98,248	36,130	\$ 557,280

10. INVESTMENTS

	December 31, 2024		December 31, 2023	
	Fair Value	Cost	Fair Value	Cost
Guaranteed Investment Certificates	\$2,365,241	\$2,340,623	\$3,644,222	\$3,566,000
Bonds Issued by:				
Federal	\$21,807,719	\$22,411,681	\$15,000,961	\$14,956,554
Provincial	8,341,435	8,508,773	3,672,501	3,996,150
Municipal	221,744	221,744	445,224	493,682
Corporate				
Canadian	14,810,032	15,092,476	6,578,196	6,927,902
Foreign	754,342	773,407	-	-
	\$45,935,272	\$47,008,081	\$25,696,882	\$26,374,288
Equity Investments				
Canadian	\$12,618,539	\$9,353,297	\$13,895,819	\$11,464,584
Foreign	3,383,768	2,399,398	2,927,566	2,451,588
	\$16,002,307	\$11,752,695	\$16,823,385	\$13,916,172
Pooled Funds				
Canadian Fixed Income	\$ -	\$ -	\$11,632,304	\$11,550,308
Commercial Mortgages	4,717,893	4,674,398	7,086,274	7,160,017
Canadian Equity	3,772,953	3,005,762	3,392,316	2,982,164
	\$8,490,846	\$7,680,160	\$22,110,894	\$21,692,489
Other Investments				
Fire Mutuals Guarantee Fund	\$63,339	\$63,339	\$58,106	\$58,106
Debentures	300,000	300,000	308,437	300,000
	\$363,339	\$363,339	\$366,543	\$358,106
Total Investments	\$73,157,005	\$69,144,898	\$68,641,926	\$65,907,055

As at December 31, 2024, the Company has accrued interest of \$80,257 (2023 - \$242,919).

The rate of return of the pooled funds portfolio held is 4.62% as at December 31, 2024 (2023 – 5.15%).

10. INVESTMENTS (Continued)

The Company has categorized its assets measured at fair value into the three-level fair value hierarchy as summarized in the following table, based on the priority of the inputs to the respective valuation technique as defined in Note 3 (c)i:

December 31, 2024	Level 1	Level 2	Level 3	Total
Guaranteed Investment Certificates	\$ -	\$ 2,365,242	-	\$ 2,365,242
Bonds	-	45,148,098	800,000	45,948,098
Equities	14,075,377	224,000	1,680,353	15,979,730
Pooled Funds	-	3,772,953	4,717,893	8,490,846
Other Investments	-	-	373,089	373,089
Total	\$14,075,377	\$51,510,293	\$7,571,335	\$73,157,005

December 31, 2023				
Guaranteed Investment Certificates	-	\$3,644,222	-	\$3,644,222
Bonds	-	24,896,882	800,000	25,696,882
Equities	14,252,777	-	2,570,608	16,823,385
Pooled Funds	-	15,024,620	7,086,274	22,110,894
Other Investments	-	-	366,543	366,543
Total	\$14,252,777	\$43,565,724	\$10,823,425	\$68,641,926

There were no transfers between Level 1, Level 2 and Level 3 for the years ended December 31, 2024 (none in 2023).

A portion of the Company's investment in pooled funds is invested in a Canadian mortgage pooled fund. The level 3 commercial mortgage pooled funds are valued based on the net asset values of the fund as provided by the investment manager of the fund. The commercial mortgages in the commercial mortgage pooled fund are valued at the present value of discounted future cash flows. The discount rate is based on the equivalent Government of Canada rate and an additional spread to compensate for a loan's particular risk. Due to the use of unobservable data and their limited liquidity, commercial mortgages are classified as Level 3.

Some of the investments in Canadian corporate equities and other investments consists of amounts invested in a Canadian private Company. The fair value of these investments is based on valuation techniques that include inputs that are not based on observable market data. Due to the use of unobservable data the investment in this Canadian private Company is classified as Level 3.

10. INVESTMENTS (Continued)

The reconciliation of financial instruments at fair value using unobservable inputs (Level 3) is as follows:

	2024	2023
Balance, beginning of the year	\$10,823,425	\$327,153
Business combination adjustment	-	8,813,881
Net purchases and sales	(4,459,937)	381,479
Unrealized gains	1,207,847	1,300,912
Balance, end of the year	\$7,571,335	\$10,823,425

SUMMARY OF NET INVESTMENT INCOME (LOSS)

	2024	2023
Interest income	2,436,256	1,435,983
Dividend income	1,119,903	1,421,103
Investment fees	(228,611)	(262,127)
Net realized gains on sale of FVTPL financial assets	1,473,801	600,566
Unrealized gains on FVTPL financial assets	2,186,592	2,096,732
Total	\$ 6,987,941	\$ 5,292,257

11. INCOME TAXES

The significant components of tax (recovery) expense included in net income are composed of:

	2024	2023
Current tax expense	\$ 2,700	\$ 16,312
Deferred tax expense (recovery)	3,350,624	(1,426,688)
Income taxes expense (recovery)	\$ 3,353,324	\$ (1,410,376)

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

	2024	2023
Income (loss) before income taxes	\$ 7,132,116	\$ (7,605,471)
Expected taxes based on the statutory rate of 26.5% (2023 - 26.5%)	1,890,011	(2,015,450)
Canadian dividend income	(54,590)	(125,875)
Claims reserves timing differences	-	(884,001)
Other timing differences	1,517,903	1,614,950
Recovery of income taxes	\$ 3,353,324	\$ (1,410,376)

12. PROPERTY AND EQUIPMENT

2024					
		Cost		Accumulated Depreciation	Net Book Value
Land	\$	1,242,901	\$	-	\$ 1,242,901
Buildings		6,661,271		1,216,132	5,445,139
Land Improvements		46,754		19,074	27,680
Computer		1,112,725		947,414	165,311
Furniture and Fixtures		911,340		670,729	240,611
Vehicles		78,634		30,987	47,647
Total	\$	10,053,625	\$	2,884,336	\$ 7,169,289

2023					
		Cost		Accumulated Depreciation	Net Book Value
Land	\$	1,381,901	\$	-	\$ 1,381,901
Buildings		6,674,482		1,095,634	5,578,848
Land Improvements		24,657		24,657	-
Computer		1,264,849		1,069,802	195,047
Furniture and Fixtures		930,185		624,770	305,415
Vehicles		78,634		24,992	53,642
Total	\$	10,354,708	\$	2,839,855	\$ 7,514,853

In the current year, a building was transferred from property and equipment to assets held for sale with a fair market value of \$180,000.

13. PENSION PLANS

Defined Contribution Pension Plan

Eligible employees hired after January 1, 2014 are enrolled in the defined contribution plan. The Company makes, on behalf of its employees, matching contributions up to 7.50% of their gross salary. The plan is a money service plan. The amount contributed to the defined contribution plan for 2024 was \$455,783 (2023 - \$351,275).

Defined Benefit Plan

The Company makes contributions on behalf of its employees to "The Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies". The pension plan is being accounted for as a multi-employer pension plan as defined by IAS 19 Employee Benefits. Eligible employees participate in the defined benefit plan. The defined benefit plan specifies the amount of the retirement benefit to be received by the employee based on the number of years the employee has contributed and his/her final average earnings. The plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. Under the terms of the Ontario Mutual Insurance Association Pension Plan, the Company is liable for the obligations of other companies participating in the pension should they be unable to satisfy their respective funding requirements.

The Company is one of a number of employers who have pooled the assets and liabilities of the pension plan to take advantage of economies of scale in making investment decisions and in minimizing expenses. The information to account for the plan as a defined benefit plan is not readily available for each company to determine its share of the assets and liabilities of the plan. In the event of a wind-up or withdrawal from the plan, the Company is responsible for its portion of the deficit and all expenses as determined by the plan actuary.

13. PENSION PLANS (Continued)

The amount contributed to the plan for 2024 was \$121,038 (2023 - \$132,142). The contributions were made for current service and these have been recognized in comprehensive loss. The Company had a 1.50% (2023 – 1.50%) share of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year.

The defined benefit plan has been closed to future eligible employees effective January 1, 2014. The Company and all current employees entitled prior to that date who are accruing benefits under the defined benefit plan continue to contribute to the defined benefit plan, according to the existing terms of the agreement.

14. ASSET HELD FOR SALE

The Board of Directors approved the potential sale of one of the office buildings of the Company during the 2024 fiscal year. The property was closed and marked as held for sale as at December 31, 2024. The building was sold subsequent to year-end with a closing date of February 7, 2025.

15. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with key management personnel, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management:

	2024	2023
Compensation		
Salaries, benefits and directors' fees	\$ 970,242	\$ 1,409,271
Pension and other post-employment benefits	54,610	86,514
	\$ 1,024,852	\$ 1,495,785
Premiums written	\$ 200,483	\$ 219,487
Claims paid	\$ 135,662	\$ 38,625

16. REFUND TO POLICYHOLDERS

The Company declared a refund to policyholders for the 2024 fiscal year. This amount will be paid subsequent to year-end.

17. CAPITAL MANAGEMENT

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

The Company's objectives with respect to capital management are to ensure adequate funding is available to pay policyholder claims and maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

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