Caradoc Townsend Mutual Insurance Company

Consolidated Financial Statements

December 31, 2024

Caradoc Townsend Mutual
Insurance Company

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December 31, 2024

Millards
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INDEPENDENT AUDITOR'S REPORT

To the Members of Caradoc Townsend Mutual Insurance Company:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, its financial performance, and its cash flow for the year then ended, in accordance with international financial reporting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with international financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

(continues)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision, and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Millard, Rouse & Rosebrugh LLP

Millard, Rouse & Rosebrugh LLP
Chartered Professional Accountants
Licensed Public Accountants

February 24, 2025
Brantford, Ontario

Caradoc Townsend Mutual Insurance Company

Consolidated Statement of Financial Position

As at December 31, 2024

	2024	2023
ASSETS		
Cash	$ 5,220,951	$ 5,154,487
Investments *(Note 5)*	15,356,569	15,770,734
Accrued investment income	185,528	105,004
Reinsurance Contract Assets *(Note 6)*	3,790,955	2,092,523
Deferred income taxes *(Note 7)*	2,604,981	2,533,208
Investment in associate *(Note 8)*	739,596	701,585
Property and equipment *(Note 9)*	1,789,784	1,658,035
Right-of-use assets *(Note 10)*	408,317	443,069
Other Assets	133,267	104,038
	$ 30,229,948	$ 28,562,683
LIABILITIES AND SURPLUS		
Accounts payable	$ 460,780	$ 430,788
Other taxes payable	138,919	183,665
Lease liabilities *(Note 12)*	447,567	471,654
Insurance contract liabilities *(Note 6)*	17,004,271	14,973,976
	18,051,537	16,060,083
Surplus	12,178,411	12,502,600
	$ 30,229,948	$ 28,562,683

ON BEHALF OF THE BOARD

Marw Schupp Director

Aaron McQueen Director

See accompanying notes to consolidated financial statements

Caradoc Townsend Mutual Insurance Company

Consolidated Statement of Surplus

Year ended December 31, 2024

Balance December 31, 2023	$ 12,502,600
Profit (loss) for the year	**(203,305)**
IFRS 17 Adjustment Risk Sharing Pool and Residual Market	**(120,884)**
Balance, December 31, 2024	**12,178,411**

See accompanying notes to consolidated financial statements

Caradoc Townsend Mutual Insurance Company

Consolidated Statement of Comprehensive Income

Year ended December 31, 2024

	2024	2023
Insurance revenue	$ 19,272,853	$ 17,164,923
Insurance service expense *(Note 13)*	15,643,859	16,499,920
Insurance service result before reinsurance contracts held	3,628,994	665,003
Net expense from reinsurance contracts held		
Allocation of reinsurance premiums	3,898,157	3,291,694
Amounts recoverable from reinsurers for incurred claims	2,002,333	1,488,478
Net expense from reinsurance contracts held	1,895,824	1,803,216
Insurance service result	1,733,170	(1,138,213)
Total investment income (loss) *(Note 14)*	1,207,798	1,167,707
Insurance finance expense for insurance contracts	(804,626)	(366,000)
Reinsurance finance income for reinsurance contracts	115,000	68,000
Net insurance financial result	2,251,342	(268,506)
Other income *(Note 15)*	68,011	(10,799)
Other general expenses *(Note 13) (Page 6)*	(2,594,374)	(2,237,536)
Profit (loss) before tax	(275,021)	(2,516,841)
Income tax expense (recovery) *(Note 7) (Note 11)*	71,716	679,358
Total comprehensive income (loss) for the year	(203,305)	(1,837,483)

See accompanying notes to consolidated financial statements

Caradoc Townsend Mutual Insurance Company

Consolidated Schedule of General Expenses

Year ended December 31, 2024

	2024	2023
Advertising	$ 52,512	$ 81,111
Association fees	84,279	92,405
Professional fees	259,858	230,518
Auto rating, MVR, regulatory expense	133,872	97,807
Bank charges	103,081	86,546
Computing depreciation	76,203	153,084
Computing expense	967,277	708,111
Contracting fees	143,187	126,183
Conventions & meetings	64,212	76,939
Director fees & benefits	75,434	88,828
Donations	43,437	46,369
Education	46,644	70,567
Inspections	12,752	79,296
Insurance	109,480	83,638
Loss control expense	370	1,629
Office premises & occupancy	101,995	115,895
Office premises depreciation	132,743	136,666
Postage & courier	35,770	35,866
Premium taxes	65,221	42,562
Printing & stationary supplies	41,676	33,397
Refund of premiums	82	453
Salaries	1,979,007	1,877,598
Staff benefits	456,294	421,274
Statistics Transmission - OMIA	48,999	45,764
Sundry expenses	20,204	40,148
Telephone	27,847	25,067
Vehicle and travel	92,498	82,654
Subtotal	5,174,934	4,880,375
Acquisition expense allocation	(1,961,540)	(2,074,719)
Fulfillment expense allocation	(619,020)	(568,120)
	$ 2,594,374	$ 2,237,536

See accompanying notes to consolidated financial statements

Caradoc Townsend Mutual Insurance Company

Consolidated Statement of Cash Flow

Year ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Net loss for the year	$ (203,305)	$ (1,837,483)
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	227,586	296,578
(Gain) loss on disposal of property and equipment	-	-
Deferred income taxes	(71,716)	(679,358)
Share of profit from investment associate	(68,011)	10,799
Realized loss (gain) on sale of investments	(864,961)	(53,702)
Unrealized loss (gain) on investments	233,357	(617,362)
	(747,050)	(2,880,528)
Changes in non-cash working capital:		
Reinsurance contract held assets	(1,698,432)	(82,477)
Other assets	(29,229)	(73,908)
Accounts payable and accrued liabilities	29,992	8,108
Insurance contract liabilities	2,030,295	2,555,675
	332,626	2,407,398
Cash flow from (used by) operating activities	(414,424)	(473,130)
INVESTING ACTIVITIES		
Purchases of property and equipment	(324,584)	(127,681)
Proceeds on disposal of property and equipment	30,000	-
Purchase of investments	(13,135,128)	(10,297,547)
Proceeds on disposition of investments	13,934,684	12,061,644
Cash flow from investing activities	504,972	1,636,416
FINANCING ACTIVITIES		
Repayment of lease liabilities	(24,084)	(135,246)
Cash flow used by financing activities	(24,084)	(135,246)
INCREASE (DECREASE) IN CASH	66,464	1,028,040
Cash - Beginning of Year	5,154,487	4,126,447
CASH - END OF YEAR	5,220,951	5,154,487

See accompanying notes to consolidated financial statements

1. NATURE OF BUSINESS

Caradoc Townsend Mutual Insurance Company is a mutual insurance company and is owned by the member policyholders. The Company was incorporated under the laws of Ontario and is subject to the Insurance Act of Ontario. It is licensed to write property, liability, automobile, hail, boiler and machinery, and certain types of fidelity and accident and sickness insurance in Ontario. The Company's head office is located in Waterford, Ontario and a satellite office is located in Kilworth, Ontario.

The Company is subject to rate regulation in the automobile business it writes. Before automobile insurance rates can be changed, a rate filing is prepared as a combined filing for most Ontario Farm Mutuals by the Ontario Mutual's Auto Rate Filing Committee. The rate filing must include actuarial justification for rate increases or decreases. All rate filings are approved or denied by the Financial 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 that time.

These consolidated financial statements have been authorized for issue by the Board of Directors on February 24, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

These consolidated financial statements were prepared on a historical cost basis, except for those financial assets that have been measured at fair value. The Company's functional and presentation currency is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

The notes to the consolidated financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements.

Consolidation

The consolidated financial statements of the Company include its wholly-owned subsidiary, 2598695 Ontario Inc., which was incorporated on September 27, 2017. The accounting policies of the subsidiary have been aligned with the policies adopted by the Company. All intra-company transactions have been eliminated upon consolidation.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation

IFRS 17 Insurance contracts

i. Classification and measurement

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach ("PAA").
The measurement principles of the PAA is as follows:

- The liability for remaining coverage reflects premiums received less amounts recognized in revenue for insurance services provided.
- Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Company defers insurance acquisition cash flows for all product lines over the contract boundary. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.

The Company's classification and measurement of insurance and reinsurance contracts is explained within Note 2.

ii. Changes to presentation and disclosure

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

- Portfolios of insurance contracts issued that are liabilities
- Portfolios of insurance contracts issued that are assets
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Insurance and reinsurance contracts accounting treatment

i. Insurance and reinsurance contracts accounting classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues property and casualty insurance to individuals and businesses, which includes property, liability and auto. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

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 level of aggregation for the Company is determined firstly by dividing the business written into portfolios. The company has determined its level of aggregation into automobile, personal property and commercial property 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

vi. Measurement – Premium Allocation Approach

	Approach under IFRS 17
Premium Allocation Approach (PAA) Eligibility	Coverage period for all insurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	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	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	For all business lines, adjustments are made for the time value of money when assessing the incurred claims
Insurance finance income and expense	For all contracts, the change in LIC as a result of changes in discount rates will be captured within profit or loss.

vii. Insurance contracts – initial measurement

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

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition,
- Minus any insurance acquisition cash flow at that date,
- Any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

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

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

viii. Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as 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.

ix. Insurance contracts – subsequent measurement

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

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

The Company estimates the liability for incurred claims as the fulfillment cash flows related to incurred claims. The fulfillment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment).

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

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

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

x. Reinsurance contracts – subsequent measurement

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

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

xi. Insurance acquisition cash flows

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

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

xii. Insurance contracts – modification and derecognition

The Company derecognizes insurance contracts when:

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

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

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

xiii. Presentation

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

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

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

xiv. Insurance revenue

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

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

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

xv. Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfillment 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.

xvi. Loss-recovery components

As described in (Note 2(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.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

xvii. Insurance finance income and expense

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

xviii. Net income or expense from reinsurance contracts held

The Company does not separately present on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

Fire Mutuals Guarantee Fund

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 became bankrupt. As a result, the Company may be required to contribute assets to their proportionate share in meeting this objective.

Property and equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	35 years
Office equipment	10 years
Computer equipment	3-5 years
Signs	5 years
Paving & sidewalks	10 years
Leasehold improvements	Lease term
Motor vehicles	5 years

Depreciation methods, useful lives, and residual values are reviewed annually and adjusted if necessary. Property and equipment acquired during the year are depreciated at one-half of the normal rate.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019. All leases are accounted for by recognizing a right-to-use asset and a lease liability except for leases of low value and short-term leases with a lease term of twelve months or less.

The Company recognizes right-of-use assets and lease liabilities at the lease commencement date.

The right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease or initial direct costs incurred.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate. The revised future lease payments are discounted at the same discount rate that applied on lease commencement.

Income taxes

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when liabilities (assets) are settled (recovered).

Financial instruments

The Company classifies its consolidated financial instruments into one of the following categories based on the characteristics of the financial instruments and management's choices and intentions. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

These are comprised of amounts due from members, reinsurers', Facility Association, and miscellaneous receivables. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at depreciated cost, less any impairment losses. Impairments are recognized when there is objective evidence that the Company will be unable to collect all of the amounts due under the terms receivable. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the asset is written off and the loss is recognized in net income.

Other financial liabilities

Other financial liabilities include all financial liabilities and are comprised of accounts payable and amounts due to other insurance companies. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at depreciated cost.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

Significant judgements

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

i. Insurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for incurred claims, the Company now includes an explicit risk adjustment for non-financial risk.

(a) Liability for remaining coverage

i. Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfillment 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.

(b) Liability for incurred claims

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

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

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3. ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

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

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

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

(c) Discount rates

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

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

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

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

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3. ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 60th to 70th percentile (2023 - seventieth to eightieth 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 66% (2023 - 70-80%) 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 risk adjustments has been disclosed in Note 4.

4. INSURANCE AND FINANCIAL RISK MANAGEMENT

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

a) Insurance risk

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

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

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

Amounts recoverable from reinsurers' are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its members 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 writes insurance primarily over a twelve-month duration. The most significant risks arise through high severity, low frequency events such as natural disasters or catastrophes. A concentration of risk may arise from insurance contracts issued in a specific geographic location since all insurance contracts are written in Ontario.

The Company manages this risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Automobile premiums are subject to approval by the Financial Services Regulatory Authority of Ontario and therefore may result in a delay in adjusting the pricing to exposed risk. Reinsurance is purchased to mitigate the effect of the potential loss to the Company. Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. ("Farm Mutual Re"), a Canadian registered reinsurer.

The Company followed 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 $430,000 in the event of a property claim, an amount of $450,000 in the event of an automobile claim, an amount of $430,000 in the event of a liability claim, an amount of $20,000 in the event of a farmers' accident claim, and $1,290,000 in the event of a catastrophe.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

The Company is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses, and expected profit in relation to unearned premiums.

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

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

	2024			2023		
	Insurance $'000	Reinsurance held $'000	Net $'000	Insurance $'000	Reinsurance held $'000	Net $'000
Property	3,178	82	3,096	2,669	(13)	2,682
Auto	11,858	3,359	8,499	10,071	1,698	8,484
Liability	1,968	349	1,619	2,235	407	1,835
Total net insurance contracts	17,004	3,791	13,214	14,975	2,093	12,882

The risks written by the Company are concentrated within Ontario.

i) *Sensitivities*

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

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for 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.

		2024		2023	
	Change in assumptions $'000	Impact gross of reinsurance $'000	Impact net of reinsurance $'000	Impact gross of reinsurance $'000	Impact net of reinsurance $'000
Expected loss	**+5%**	314	240	294	225
Inflation rate	**+1%**	222	150	239	187
Interest rate	**+1%**	(208)	(141)	(224)	(175)
Expected loss	**-5%**	(313)	(239)	(293)	(224)
inflation rate	**-1%**	(217)	(147)	(234)	(184)
Interest rate	**-1%**	217	174	223	182

(continues)

4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

ii) *Claims development*

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

In 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.

	2024			2023		
	Estimates of the PVFCF $'000	Risk adjustment $'000	Total $'000	Estimates of the PVFCF $'000	Risk adjustment $'000	Total $'000
Total gross liabilities for incurred claims	14,369	311	14,680	12,205	694	12,899
Amounts recoverable from reinsurance	4,178	82	4,260	2,030	130	2,160
Total net liabilities for incurred claims	10,191	229	10,420	10,175	564	10,739

(continues)

4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

iii) Claims development

Gross undiscounted liabilities for incurred claims for 2024

Amounts in $'000	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
End of insured event year	6,112,031	6,524,856	8,890,559	6,599,393	6,911,168	10,433,362	8,819,382	8,940,431	11,670,335	-
One year later	7,078,527	7,199,497	9,642,074	6,160,816	6,851,545	10,402,034	10,509,119	8,717,519	-	-
Two years later	7,882,259	8,246,372	8,488,519	6,363,429	6,817,405	10,492,131	10,808,345	-	-	-
Three years later	8,963,338	8,397,725	7,416,660	5,358,673	7,010,807	9,729,399	-	-	-	-
Four years later	8,277,220	8,755,586	7,553,342	5,584,967	6,659,923	-	-	-	-	-
Five years later	8,474,193	8,697,810	7,534,517	5,426,229	-	-	-	-	-	-
Six years later	8,518,901	8,676,674	7,420,143	-	-	-	-	-	-	-
Seven years later	8,337,334	8,676,674	-	-	-	-	-	-	-	-
Eight years later	8,337,334	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	8,337,334	8,676,674	7,420,143	5,426,229	6,659,923	9,729,399	10,808,345	8,717,519	11,670,335	77,445,901
Cumulative payments to date	8,337,334	8,676,674	7,420,143	5,374,532	5,972,946	9,220,387	7,410,165	5,498,243	5,257,041	63,167,465
Gross undiscounted liabilities for incurred claims	-	-	-	51,697	686,977	509,012	3,398,180	3,219,276	6,413,294	14,278,436
Risk adjustment										311,000
Effect of discounting										(855,000)
Other attributable expenses										944,312
Total liabilities for incurred claims										14,678,748

(continues)

4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

iii) Claims development

Net undiscounted liabilities for incurred claims for 2024

Amounts in $'000	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
End of insured event year	4,343,811	5,596,108	7,240,256	6,307,393	5,042,600	8,829,574	7,877,688	7,855,243	9,305,577	-
One year later	5,044,008	5,501,565	8,057,771	6,040,816	5,091,097	9,018,902	9,203,327	7,812,787	-	-
Two years later	5,750,891	6,560,172	7,684,421	6,215,280	5,088,489	9,025,953	9,214,428	-	-	-
Three years later	6,601,970	6,669,986	7,391,660	5,336,525	5,182,951	8,291,335	-	-	-	-
Four years later	6,391,025	8,345,457	7,322,039	5,500,471	5,041,948	-	-	-	-	-
Five years later	8,338,203	6,681,907	7,303,214	5,341,882	-	-	-	-	-	-
Six years later	6,397,969	6,660,771	7,188,841	-	-	-	-	-	-	-
Seven years later	6,216,402	6,660,771	-	-	-	-	-	-	-	-
Eight years later	6,216,402	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	6,216,402	6,660,771	7,188,841	5,341,882	5,041,948	8,291,335	9,214,428	7,812,787	9,305,577	65,073,971
Cumulative payments to date	6,216,402	6,660,771	7,188,840	5,290,184	4,538,461	7,830,340	7,069,190	4,979,984	5,150,540	54,924,712
Gross undiscounted liabilities for incurred claims	-	-	1	51,698	503,487	460,995	2,145,238	2,832,803	4,155,037	10,149,259
Risk adjustment										229,000
Effect of discounting										(588,000)
Other attributable expenses										630,389
Total liabilities for incurred claims										10,420,648

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

	2024			
	< 1 year $'000s	1 to 5 years $'000s	Over 5 years $'000s	Total $'000s
Financial assets				
Cash	5,221	-	-	5,221
Investments	2,505	5,322	7,530	15,357
Insurance assets				
Reinsurance asset contracts	1,202	2,362	227	3,791
Total assets	8,928	7,684	7,757	24,369
Accounts Payable	461	-	-	461
Insurance Liabilities	8,423	8,043	538	17,004
Total liabilities	8,884	8,043	538	17,465
Net Liquidity gap	44	(359)	7,219	6,904

	2023			
	< 1 year $'000s	1 to 5 years $'000s	Over 5 years $'000s	Total $'000s
Financial assets				
Cash	5,154	-	-	5,154
Investments	847	4,004	10,919	15,770
Insurance assets				
Reinsurance asset contracts	501	1,474	120	2,095
Total assets	6,502	5,478	11,039	23,019
Accounts payable	431	-	-	431
Insurance liabilities	7,968	6,592	414	14,974
Total liabilities	8,399	6,592	414	15,405
Net Liquidity gap	(1,897)	(1,114)	10,625	7,614

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

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

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

c) Interest rate risk
Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

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

d) Equity risk
Equity 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.

The Company's portfolio includes equity and fixed investments with fair values that fluctuate with the stock markets. As at December 31, 2024, a 10% movement in the stock markets would have an estimated effect on the fair values of approximately $308,480 (2023 - $480,000). For stocks that the Company did not sell during the period, the change would be recognized in the asset value and in net income. For stocks that the Company did sell during the period, the change during the period and changes prior to the period would be recognized as net realized gains in income during the period.

The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

e) 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 current liabilities arise as claims are made. There are no material liabilities that can be called unexpectedly at the demand of a lender or client. There are no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income. There have been no significant changes from the previous period in the exposure to risk or policies.

f) Foreign currency risk
Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange values. The Company is not significantly exposed to foreign exchange rate risk.

g) 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 payments when certain loss conditions
are met.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

g) Credit risk (continued)

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.

The maximum exposure to credit risk and concentration of this risk would be the fair values as outlined in Note 5.

Bond yields have increased in the current year. The Company continues to monitor investments for credit ratings to ensure investments are made in bonds with an investment grade of BBB or better. Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the creditworthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

Amounts receivable are short-term in nature and are not subject to material credit risk.

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

h) Fair Value

The Company has categorized its assets that are carried at fair value on a recurring basis, based on priority of the inputs to valuation techniques used to measure fair value, into a three-level fair value hierarchy. Financial assets measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for, or corroborated with, observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Company's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

December 31, 2024	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	5,220,951	-	-	5,220,951
Bonds	-	11,971,773	300,000	12,271,773
Equities	-	2,844,746	240,050	3,084,796
Total assets measured at fair value	5,220,951	14,816,519	540,050	20,577,520

(continues)

4. INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

December 31, 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	5,154,487	-	-	5,154,487
Bonds	-	10,390,095	300,000	10,690,095
Equities	-	4,828,321	252,318	5,080,639
Total assets measured at fair value	5,154,487	15,218,416	552,318	20,925,221

There were $9,264,426 in transfers between level 1 to level 2 (2023 - $73,280) and $9,742,849 from level 2 to level 1 at December 31, 2024 (2023 - $2,800,000).

During the year, the company made no level 3 purchases (2023 - $nil) and sold no level 3 investments (2023 - $300,040). The Company recognized $12,268 in loss from the change in fair value (2023 - gain $52,291).

5. INVESTMENTS

The book and fair values of investments at December 31 are shown as follows:

	2024 $		2023 $	
	Book Value	**Fair Value**	Book Value	Fair Value
Held-for-trading				
Bonds issued by:				
Federal	**479,814**	**479,814**	383,618	383,618
Provincial	**3,963,547**	**3,963,547**	3,923,296	3,923,296
Corporate	**7,828,412**	**7,828,412**	6,383,181	6,383,181
	12,271,773	**12,271,773**	10,690,095	10,690,095
Equity investments				
Common shares	**-**	**-**	1,511,107	1,511,107
Preferred shares	**-**	**-**	-	-
Equity interest in private company	**240,050**	**240,050**	252,318	252,318
Equity pooled funds	**2,844,746**	**2,844,746**	3,317,214	3,317,214
	3,084,796	**3,084,796**	5,080,639	5,080,639
Total investments	**15,356,569**	**15,356,569**	15,770,734	15,770,734

The maximum exposure to credit risk would be the fair value, as shown above.

Effective December 31, 2024 the Company sold its real estate funds held with Connor Clark & Lunn. Proceeds received to date represent the investment valuation as at September 30, 2024 with the subsequent reconciliation to December 31, 2024 values to take place in Q1 2025.

6. INSURANCE AND REINSURANCE CONTRACTS

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

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

	2024				
	Liabilities for remaining coverage $'000s		Liabilities for incurred claims $'000s		
Amounts are in $'000	**Excluding loss component**	**Loss component**	**Estimates of PVFCF***	**Risk adjustments**	**Total**
Insurance contract liabilities, beginning of year	2,074	-	12,205	694	14,973
Insurance contract assets, beginning of year	-	-	-	-	-
Net balance (asset)/liability, beginning of year	2,074	-	12,205	694	14,973
Insurance revenue	(19,273)	-	-	-	(19,273)
Insurance service expenses					
Incurred claims and other directly attributable expense	-	-	10,532	(383)	10,149
Insurance acquisition cash flows amortisation	5,136	-	-	-	5,136
Changes that relate to past service – adjustments to the LIC	-	-	360	-	360
Insurance service result	(14,137)	-	10,892	(383)	(3,628)
Insurance finance expenses	-	-	805	-	805
Total changes in the statement of comprehensive income	(14,137)	-	11,697	(383)	(2,823)
Cash flows					
Premiums received	20,409	-	-	-	20,409
Claims and other directly attributable expenses paid	-	-	(9,534)	-	(9,534)
Insurance acquisition cash flows	(6,021)	-	-	-	(6,021)
Total cash flows	14,388	-	(9,534)	-	4,854
Net balance (asset)/liability, end of year	2,325	-	14,368	311	17,004
Insurance contract liabilities, end of year	-	-	-	-	-
Insurance contract assets, end of year	-	-	-	-	-
Net balance (asset)/liability, end of year	2,325	-	14,368	311	17,004

* PVFCF refers to present value of future cash flows

(continues)

6. INSURANCE AND REINSURANCE CONTRACTS *(continued)*

	2023				
	Liabilities for remaining coverage $'000s		Liabilities for incurred claims $'000s		
Amounts are in $'000	**Excluding loss component**	**Loss component**	**Estimates of PVFCF***	**Risk adjustments**	**Total**
Insurance contract liabilities, beginning of year	2,038	-	10,098	282	12,418
Insurance contract assets, beginning of year	-	-	-	-	-
Net balance (asset)/liability, beginning of year	2,038	-	10,098	282	12,418
Insurance revenue	(17,167)	-	-	-	(17,167)
Insurance service expenses					
Incurred claims and other directly attributable expense	-	-	9,177	250	9,427
Insurance acquisition cash flows amortisation	4,935	-	-	-	4,935
Changes that relate to past service – adjustments to the LIC	-	-	1,978	162	2,140
Insurance service result	(12,232)	-	11,155	412	(665)
Insurance finance expenses	-	-	366	-	366
Total changes in the statement of comprehensive income	(12,232)	-	11,521	412	(299)
Cash flows					
Premiums received	(16,022)	-	-	-	(16,022)
Claims and other directly attributable expenses paid	-	-	9,414	-	9,414
Insurance acquisition cash flows	3,754	-	-	-	3,754
Total cash flows	(12,268)	-	9,414	-	(2,854)
Net balance (asset)/liability, end of year	2,074	-	12,205	694	14,973
Insurance contract liabilities, end of year	2,074	-	12,205	694	14,973
Insurance contract assets, end of year	-	-	-	-	-
Net balance (asset)/liability, end of year	2,074	-	12,205	694	14,973

* PVFCF refers to present value of future cash flows

(continues)

6. INSURANCE AND REINSURANCE CONTRACTS *(continued)*

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.

	2024				
	Assets for remaining coverage $'000s		Assets recoverable on incurred claims $'000s		
Amounts are in $'000	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	-	-	-	-	-
Reinsurance contract assets, beginning of year	-	-	1,963	130	2,093
Net balance asset/(liability), beginning of year	-	-	1,963	130	2,093
An allocation of reinsurance premiums	(3,898)	-	-	-	(3,898)
Amounts recoverable from reinsurers for incurred claim	-	-	1,618	-	1,618
Changes to amounts recoverable for incurred claim	-	-	486	(212)	274
Net income/(expenses) from reinsurance contracts held	(3,898)	-	2,104	(212)	(2,006)
Reinsurance finance income	-	-	115	-	115
Total changes in the statement of comprehensive income	(3,898)	-	2,219	(212)	(1,891)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	(3,429)	-	-	-	(3,429)
Amounts received	-	-	(160)	-	(160)
Total cash flows	(3,429)	-	(160)	-	(3,589)
Net balance asset/(liability), end of year	(469)	-	4,342	(82)	3,791
Reinsurance contract liabilities, end of year	-	-	-	-	-
Reinsurance contract assets, end of year	-	-	-	-	-
Net balance assets/(liability), end of year	(469)	-	4,342	(82)	3,791

* PVFCF refers to present value of future cash flows

(continues)

6. INSURANCE AND REINSURANCE CONTRACTS *(continued)*

Reinsurance contracts

	2023				
	Assets for remaining coverage $'000s		Assets recoverable on incurred claims $'000s		
Amounts are in $'000	**Excluding loss recovery component**	**Loss recovery component**	**Estimates of PVFCF***	**Risk adjustments**	**Total**
Reinsurance contract liabilities, beginning of year	-	-	-	-	-
Reinsurance contract assets, beginning of year	5	-	2,096	74	2,175
Net balance asset/(liability), beginning of year	5	-	2,096	74	2,175
An allocation of reinsurance premiums	(3,294)	-	-	-	(3,294)
Amounts recoverable from reinsurers for incurred claim	-	-	1,006	-	1,006
Changes to amounts recoverable for incurred claim	-	-	428	56	484
Net income/(expenses) from reinsurance contracts held	(3,294)	-	1,434	56	(1,804)
Reinsurance finance income	-	-	68	-	68
Total changes in the statement of comprehensive income	(3,294)	-	1,502	56	(1,736)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	(3,289)	-	-	-	(3,289)
Amounts received	-	-	1,635	-	1,635
Total cash flows	(3,289)	-	1,635	-	(1,654)
Net balance asset/(liability), end of year	-	-	1,963	130	2,093
Reinsurance contract liabilities, end of year	-	-	-	-	-
Reinsurance contract assets, end of year	-	-	1,963	130	2,093
Net balance assets/(liability), end of year	-	-	1,963	130	2,093

* PVFCF refers to present value of future cash flows

7. DEFERRED INCOME TAXES

Deferred tax is calculated on temporary differences under the liability method by applying the statutory income tax rate of 26.5% (2023 - 26.5%).

The change on the deferred tax account is as follows:

	2024	2023
Income (loss) for the year before taxes	**$ (275,021)**	$ (2,516,841)
Expected taxes based on statutory rate of 26.5%	**(72,881)**	(666,963)
Permanent differences	**(16,226)**	12,440
Non-taxable dividends	**(12,657)**	(4,840)
Other	**29,991**	(19,995)
Total deferred tax expense	**$ (71,773)**	$ (679,358)

The significant components of deferred income tax balance are as follows:

	2024 **$**	2023 $
Deferred tax assets		
Non-capital losses carried forward	**2,712,839**	2,655,743
Donation carryforward	**15,646**	15,236
	2,728,485	2,670,979
Deferred tax liabilities		
Capital cost allowance claimed in excess of depreciation	**(99,970)**	(86,477)
Reserves for claims liabilities and reinsurance contract assets	**(23,534)**	(51,294)
Deferred income taxes	**2,604,981**	2,533,208

8. INVESTMENT IN ASSOCIATE

On December 15, 2017, Townsend Mutual Insurance Company acquired an equal share, 33.33% of a private insurance brokerage company with two unrelated parties. These shares are carried at cost in 2598695 Ontario Inc. which is 100% owned by Caradoc Townsend Mutual Insurance Company.

The investment is to be accounted for using the equity method of accounting whereby the investment will be adjusted to reflect the proportionate share of net income of the brokerage company less any dividends received. During 2024, the Company recognized their share of gain in the amount of $68,011 (2023 - loss of $10,800).

9. PROPERTY AND EQUIPMENT

Cost	Land $	Building $	Office Equipment $	Computer Equipment $	Signs $	Paving & Sidewalks $	Leasehold Improvements $	Motor Vehicles $	Total $
Balance on December 31, 2023	180,000	1,331,739	299,219	467,663	49,630	81,038	143,632	112,609	2,665,530
Additions	-	-	-	324,584	-	-	-	-	324,584
Disposals	-	-	-	-	-	-	-	-	-
Balance on December 31, 2024	**180,000**	**1,331,739**	**299,219**	**792,247**	**49,630**	**81,038**	**143,632**	**112,609**	**2,990,114**

Accumulated depreciation	Land $	Building $	Office Equipment $	Computer Equipment $	Signs $	Paving & Sidewalks $	Leasehold Improvements $	Motor Vehicles $	Total $
Balance on December 31, 2023	-	331,673	158,910	355,696	45,978	65,947	23,939	25,353	1,007,496
Amortization expense	-	38,050	29,921	76,203	1,043	8,104	9,576	29,937	192,833
Disposals	-	-	-	-	-	-	-	-	-
Balance on December 31, 2024	**-**	**369,723**	**188,831**	**431,899**	**47,021**	**74,051**	**33,515**	**55,290**	**1,200,329**
Net book value - December 31, 2024	**180,000**	**962,016**	**110,388**	**360,348**	**2,609**	**6,987**	**110,117**	**57,319**	**1,789,784**

9. PROPERTY AND EQUIPMENT (continued)

Cost	Land $	Building $	Office Equipment $	Computer Equipment $	Signs $	Paving & Sidewalks $	Leasehold Improvements $	Motor Vehicles $	Total $
Balance on December 31, 2022	180,000	1,347,581	295,040	389,011	49,630	81,038	143,632	51,916	2,537,848
Additions	-	-	4,179	78,652	-	-	-	60,693	143,524
Disposals	-	(15,842)	-	-	-	-	-	-	(15,842)
Balance on December 31, 2023	**180,000**	**1,331,739**	**299,219**	**467,663**	**49,630**	**81,038**	**143,632**	**112,609**	**2,665,530**
Accumulated amortization									
Balance on December 31, 2022	-	293,623	129,197	320,349	42,837	57,843	14,363	5,192	863,404
Amortization expense	-	38,050	29,713	35,347	3,141	8,104	9,576	20,161	144,092
Disposals	-	-	-	-	-	-	-	-	-
Balance on December 31, 2023	**-**	**331,673**	**158,910**	**355,696**	**45,978**	**65,947**	**23,939**	**25,353**	**1,007,496**
Net book value - December 31, 2023	**180,000**	**1,000,067**	**140,309**	**111,967**	**3,652**	**15,091**	**119,693**	**87,256**	**1,658,035**

10. RIGHT-OF-USE ASSETS

Right-of-use assets consist of an office lease and computer equipment as follows:

	2024	2023
Cost		
Balance, beginning of year	**$ 521,258**	$ 1,082,517
Additions	**-**	-
Disposals	**-**	(561,259)
Balance, end of year	**521,258**	521,258
Accumulated depreciation		
Balance, beginning of year	**78,189**	486,960
Depreciation for the year	**34,752**	152,488
Disposals	**-**	(561,259)
Balance, end of year	**112,941**	78,189
Carrying amounts	**$ 408,317**	$ 443,069

11. INCOME TAXES

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2022 - 26.5%) are as follows:

	2024 **$**	2023 $
Income (loss) before income taxes	**(275,021)**	(2,516,841)
Expected taxes based on the statutory rate of 26.5%	**-**	-
Other	**-**	-
Sub-total	**-**	-
Non-resident tax not recoverable	**56**	402
Current income tax expense	**56**	402
Current tax		
Based on current year taxable income	**-**	-
Income taxes payable	**-**	-

12. LEASE LIABILITIES

	2024	2023
Premises lease (Kilworth), repayable in monthly payments of $2,853, due September 30, 2036	**$ 447,567**	$ 471,654

Interest expense on lease liabilities amounted to $11,297 during 2024 (2023 - $13,333).

Future minimum capital lease payments are approximately:

2025	$ 38,804
2026	38,804
2027	39,945
2028	43,369
2029	43,369
Thereafter	314,427
Total minimum lease payments	518,718
Less: amount representing interest at various rates	71,151
	$ 447,567

13. INSURANCE SERVICE EXPENSE

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

	2024 $'000s	2023 $'000s
Claims and benefits	10,464	11,576
Salaries and employee benefits	2,958	3,018
Professional fees (other than legal)	190	201
Legal fees	61	29
Commissions	2,721	2,001
Losses on onerous insurance contracts	-	-
Depreciation and amortization	203	297
Occupancy expenses (including rent, leasing and maintenance)	231	223
Information technology	870	628
Other general expenses	540	765
Total	18,238	18,738
Represented by:		
Insurance service expenses	15,644	16,500
General and operating expenses	2,594	2,238
Total	18,238	18,738

14. INVESTMENT INCOME

Investment income was derived from the following:

	2024	2023
Interest income	**$ 628,666**	$ 527,799
Dividend and distribution income	**47,763**	75,243
Gain (loss) on sale of investments	**864,961**	53,702
Market value adjustments	**(233,357)**	617,362
Investment fees	**(100,235)**	(106,399)
	$ 1,207,798	$ 1,167,707

15. OTHER INCOME

	2024	2023
(Gain)/loss from affiliate	**$ (68,011)**	$ 10,799
	$ (68,011)	$ 10,799

16. 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, which is a multi-employer plan. Each member company has signed an Ontario Mutual Insurance Association Pension Plan Agreement. Eligible employees participate in the defined benefit plan and sales agents participate in the defined contribution 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 Company funds the excess defined benefit plan based on the Company's percentage of plan liabilities as calculated by the Pension Plan actuaries. The Pension Plan Agreement states that the Company is responsible for its share of any deficit as a result of any actuarial valuation or cost certificate. The minimum funding requirement is the solvency valuation amount determined by the Pension Plan actuary on the valuation dates prescribed by the Pensions Benefit Act. In the event of a wind-up, voluntary withdrawal, or bankruptcy, either by the Company or the group as a whole, the Company is responsible for its portion of all expenses and deficit related to such.

The amount contributed to the defined benefit plan for 2024 was $73,422 (2023 - $76,149). The contributions were made for current service and have been recorded as expenses for 2024. The Company had a 2.5% share of the total contributions to the Plan in 2024.

An actuarial valuation of the Pension Plan as of December 31, 2023 showed a going-concern surplus position. The next actuarial valuation to be filed under the Pension Benefit Act will be as of December 31, 2026.

Due to the complexity of the valuation and its long-term nature, the funding valuation is highly sensitive to changes in the assumptions, which are reviewed at each reporting date. This uncertainty could create volatility in the funding status of the plan.

The defined benefit plan has been closed to future eligible employees. The Company and all current employees 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. Future eligible employees are enrolled in a new defined contribution plan. The Company's obligation with respect to this plan is to make specified monthly contributions based on a percentage of employee's eligible earnings.

The amount contributed to the defined contribution plan for 2024 was $130,436 (2023 - $128,545). The contributions were made for current service and have been recorded as expenses for 2024.

The expected contributions to the defined benefit plan and defined contribution plan for 2025 are $242,346 combined.

17. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, including directors and management:

	2024	2023
Compensation		
Salaries, benefits, and directors fees	$ **796,753**	$ 841,319
Pension and other post-employment benefits	**79,087**	88,780
	$ **875,840**	$ 930,099

Premiums for key management personnel during 2024 amounted to approximately $84,707 (2023 - $74.700). There were claims paid to key management personnel during 2024 of $3,500 (2023 - $3,712).

18. CAPITAL MANAGEMENT

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

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators generally expect 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 and deemed necessary.

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

19. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform with the current year's presentation, the net impact of which were not material to the financial statements.

20. CONTINGENT LIABILITY

The Company received a statement of claim for which the outcome is not determinable as of the date of the financial statements. In order to not prejudice the position of the Company in the matter, further information regarding a provision, if any, has not been provided.

21. SUBSEQUENT EVENTS

The following events occurred subsequent to the fiscal year end:

Amalgamation of Investment Held by 2598695 Ontario Inc.
Subsequent to year-end a wholly-owned subsidiary of the Company signed a Letter of Intent outlining a proposed amalgamation of an investment held by 2598695 Ontario Inc. This transaction remains subject to final agreement and regulatory approval.

Proposed Amalgamation
The Company, along with two other mutual insurance companies, have signed a pre-amalgamation agreement. The proposed amalgamation is subject to approval from each company's policyholders, regulatory approval by the Financial Services Regulatory Authority of Ontario (FSRA) and the consent of the companies partners: The Ontario Mutual Insurance Association (OMIA), Farm Mutual Reinsurance Plan Inc, (Farm Mutual Re), and the Trustees of the Fire Mutuals Guarantee Fund.