Peel Mutual Insurance Company

Consolidated Financial Statements

For the year ended December 31, 2024

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For the year ended December 31, 2024

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Independent Auditor's Report

To the Policyholders of Peel Mutual Insurance Company

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated 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 International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting 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 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the IFRS Accounting 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 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
February 18, 2025

Peel Mutual Insurance Company
Consolidated Statement of Financial Position

As at December 31	2024	2023
Assets		
Cash	$ 3,039,025	$ 3,376,784
Investments (Note 4)	72,002,917	70,252,804
Investment income accrued	477,041	521,517
Income taxes recoverable	126,507	28,249
Reinsurance contract assets (Note 3.2)	3,861,909	5,695,973
Property, plant and equipment (Note 11)	1,407,636	1,562,695
Intangible assets (Note 12)	8,337,189	9,235,597
Other intangible assets (Note 12)	748,388	748,388
Deferred income taxes	2,309,500	366,300
Other assets	470,458	322,205
	$ 92,780,570	$ 92,110,512
Liabilities		
Accounts payable and accrued liabilities	$ 3,168,325	$ 1,735,916
Insurance contract liabilities (Note 3.2)	48,750,030	44,528,619
	51,918,355	46,264,535
Members' Surplus		
Unappropriated members' surplus	40,862,215	45,845,977
	$ 92,780,570	$ 92,110,512

Signed on behalf of the Board by:

_______________________, Director

_______________________, Director

Peel Mutual Insurance Company
Consolidated Statement of Comprehensive Loss

For the year ended December 31	2024	2023
Insurance revenue	$ 71,521,383	$ 61,228,570
Insurance service expense (Note 7)	(71,661,444)	(55,905,067)
Insurance service result before reinsurance contracts	(140,061)	5,323,503
Reinsurance premiums ceded	10,271,047	9,214,070
Amounts recoverable from reinsurers for incurred claims	(6,038,115)	(4,720,801)
Net expense from reinsurance contracts held	4,232,932	4,493,269
Insurance service result	(4,372,993)	830,234
Finance expense for insurance contracts issued	(2,003,753)	(1,632,254)
Finance income for reinsurance contracts held	242,024	247,934
Net insurance financial result	(1,761,729)	(1,384,320)
Investment and other income and expenses (Note 5)	4,039,137	4,392,766
Operating and administrative expenses (Note 7)	(4,788,502)	(6,203,017)
Loss before income taxes	(6,884,087)	(2,364,337)
Provision for income taxes (Note 9)	(1,900,325)	(554,051)
Comprehensive loss for the year	$ (4,983,762)	$ (1,810,286)

The accompanying notes are an integral part of these consolidated financial statements.

Peel Mutual Insurance Company
Consolidated Statement of Members' Surplus
For the Year Ended December 31, 2024

For the year ended December 31	2024	2023
Unappropriated members' surplus		
Balance, beginning of the year	$ 45,845,977	47,656,263
Comprehensive loss for the year	(4,983,762)	(1,810,286)
Balance, end of the year	$ 40,862,215	$ 45,845,977

The accompanying notes are an integral part of these consolidated financial statements.

Peel Mutual Insurance Company
Consolidated Statement of Cash Flows

For the year ended December 31	2024	2023
Operating activities		
Comprehensive loss for the year	$ (4,983,762)	$ (1,810,286)
Adjustments for:		
Depreciation	182,487	208,110
Amortization of intangible assets	2,160,449	1,262,979
Provision for income taxes	(1,900,325)	(554,051)
Interest and dividend income	(2,870,202)	(2,575,236)
Realized (gain) loss from disposal of investments	(1,756,537)	398,707
Unrealized loss (gain) on investments	353,077	(2,470,031)
	(8,814,813)	(5,539,808)
Changes in working capital		
Change in other assets	(148,253)	324,390
Change in accounts payable and accrued liabilities	1,432,409	(949,325)
	1,284,156	(624,935)
Changes in provisions		
Change in reinsurance contract assets	1,834,064	3,343,864
Change in insurance contract liabilities	4,221,411	97,181
	6,055,475	3,441,045
Cash flows related to interest, dividends and income taxes		
Interest received	2,303,015	2,160,017
Dividends received	148,281	302,332
Income taxes paid	(141,133)	(99,388)
	2,310,163	2,362,961
Total cash inflows (outflows) from operating activities	834,981	(360,737)
Investing activities		
Sale of investments	63,898,546	25,814,689
Purchase of investments	(63,814,676)	(25,338,498)
Decrease (increase) in broker loans	32,859	(76,485)
Purchase of property, plant and equipment	(27,428)	(67,019)
Purchase of intangible assets	(1,262,041)	(517,819)
Total cash outflows from investing activities	(1,172,740)	(185,132)
Net decrease in cash	(337,759)	(545,869)
Cash, beginning of year	3,376,784	3,922,653
Cash, end of year	$ 3,039,025	$ 3,376,784

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate Information

Peel Mutual Insurance Company (the Company) is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write automobile, property, liability, boiler and machinery and fidelity insurance in Ontario. The Company's head office is located at 103 Queen Street West in Brampton, Ontario.

The Company is subject to rate regulation in the automobile business that it writes. Before automobile insure rates can be changed, a rate filing is prepared by the company. The rate filing must include actuarial justification for the rate increases or decreases. All rate filings must be approved 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 consolidated financial statements have been authorized for issue by the Board of Directors on February 14, 2025.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (the IASB) and Interpretations (collectively IFRS Accounting Standards).

These consolidated financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through profit or loss ("FVTPL").

The consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the Company’s functional currency.

The preparation of consolidated financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are:

- The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of insurance contracts as the coverage period of each contract in the group is one year or less.
- The Company has not made the election to recognize any insurance acquisition cash flows as an expense when it incurs those costs, and therefore defers insurance acquisition cash flows.

2. Basis of Presentation (continued)

- For groups of contracts that are onerous, the liability for the remaining coverage is determined by the fulfillment cash flows. Any loss/recovery is recognized on underlying contracts and the recovery expected on claims from reinsurance contracts held.
- The Company does not adjust the carrying amount of the liability for remaining coverage to include the time value of money or the effect of financial risk for any of its product lines.
- The cost of outstanding claims is estimated using appropriate standard actuarial claims projection techniques. 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.
- Insurance contract liabilities are calculated by discounting expected future cash flows at the risk free rate, plus illiquidity premium (when applicable). Risk free rates are determined by reference to the yield of highly liquid A-rated sovereign securities.

  Discount rates applied are listed below:

	1 year		3 years		5 years		10 years	
	2024	2023	2024	2023	2024	2023	2024	2023
All lines of business	3.0%	2.5%	3.0%	2.5%	3.3%	2.5%	3.9%	2.5%

- The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. The Company has estimated the risk adjustment using a cost of capital approach at 2.8% for auto, 2.2% for property and 9.3% liability. The Company has estimated the probability distribution of future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.
- The Company has elected not to disaggregate the change in risk adjustment for non-financial risk and includes the entire change as part of the insurance service result in the consolidated statement of profit or loss and other comprehensive loss.
- The Company applies judgment over the inputs and methods used to allocate insurance acquisition cash flows to the related contracts. This includes judgments about the amounts allocated to insurance contracts expected to arise from renewals of insurance contracts in that group. The Company will revisit the assumptions at the end of each reporting period and revise the amounts of assets for insurance acquisition cash flows as necessary.
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding (Note 4).

The notes to the consolidated financial statements were prepared and ordered in such a way that the most relevant information was presented earlier in the notes and disclosures that management deemed to be immaterial were excluded from the notes to the consolidated financial statements. The determination of the relevance and materiality of disclosures involved significant judgment.

3. Material Accounting Policies

3.1 Insurance Contracts

IFRS 17 replaced IFRS 4 – Insurance Contracts for periods on or after January 1, 2023, the Company adopted IFRS 17 using the full retrospective approach with an effective transition date of January 1, 2022.

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. Under the full retrospective approach, at January 1, 2022 the Company identified, recognized and measured each group of insurance contract liabilities and reinsurance contract assets held and any acquisition costs, and derecognized previously reported balances that would not have existed had IFRS 17 always applied. This includes due from reinsurers, due from policyholders, reinsurers' share of provision for unpaid claims, deferred policy acquisition expenses, unearned premiums and provision for unpaid claims which are included in the measurement of insurance contract liabilities and reinsurance contract assets held under IFRS 17.

3.1.1 Classification

Insurance contracts are those contracts that have significant insurance risk at the inception of the contract. The Company determines whether it has significant insurance risk, by comparing the benefits payable after an insured event with benefits payable if the insured event did not occur. The Company issues non-life insurance products including automobile (personal and commercial), personal property and liability, and commercial property and liability (including farm). These products offer protection of policyholder's assets and indemnification of other parties that have suffered damages as a result of a policyholder's accident.

3.1.2 Level of Aggregation and Recognition

Insurance contracts and reinsurance contract assets held are required to be aggregated into portfolios of insurance contracts, based on underlying risk and the management of those risks, then further aggregated into groups based on the underlying expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. The profitability of groups of contracts is assessed by actuarial valuation models that take into account existing and new business. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstance indicate otherwise. The Company considered facts and circumstances to identify whether a group of contracts are onerous based on (i) pricing information, (ii) results of similar contracts it has recognized, and (iii) environmental factors (i.e. change in market experience or regulations).

Insurance contracts are recognized from the earliest of: the beginning of the insurance contract's coverage period; when payment from the policyholder becomes due or, if there is no contractual due date, when it is received; and when a contract is onerous.

Reinsurance contract assets held that provide proportionate reinsurance coverage are recognized from the later of: the beginning of the reinsurance contract's coverage period; and when underlying insurance contracts are initially recognized.

3.1.2 Level of Aggregation and Recognition (continued)

Other reinsurance contract assets held are recognized at the beginning of the coverage period for the reinsurance contract unless the Company recognizes onerous insurance contracts on an earlier date which are reinsured and the related reinsurance contract was entered into prior to the onerous contract being recognized, in which case the reinsurance contract assets held are recognized at the date the onerous groups of underlying insurance contracts are recognized.

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

3.1.3 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.

3.1.4 Measurement

The Company uses the PAA for all the insurance contracts that it issues and reinsurance contracts held. Insurance contracts issued and reinsurance contracts held are eligible for the PAA when the coverage period of each contract in the group is one year or less or the Company reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from that of applying the General Measurement Model.

<u>Contract Boundary</u>

The contract boundary determines the cash flows that are included in the measurement of a group of insurance contracts issued and reinsurance contract assets held. Cash flows are within the contract boundary 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 has a substantive obligation to provide services including insurance coverage. 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.

<u>Insurance Acquisition Cash Flows</u>

Insurance acquisition cash flows arise from the cost of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. These costs are deferred and amortized into profit and loss as the related premiums are earned.

3.1.4 Measurement (continued)

Insurance acquisition cash flows paid before the recognition of the related group of contracts are recognized as an asset and subsequently derecognized are included within the group of insurance contracts when the related contracts are recognized. At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognized, to reflect changes in assumptions. At each reporting date, the Company assesses for impairment and will recognize impairment losses when the carrying amount of the asset exceeds the expected net cash inflows for the related group of insurance contracts. The Company reverses any impairment losses and increases the carrying amount of the asset to the extent that the impairment conditions have reversed.

<u>Insurance Contract Liabilities - Initial Measurement</u>

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

- Premiums received on initial recognition;
- Less any insurance acquisition cash flows allocated to the group, adjusted for any amounts previously recognized for cash flows related to the group; 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.

If there are indications that a group of insurance contracts is onerous, then the Company recognizes a loss in insurance service expense in the consolidated statement of comprehensive loss and increases the liability for remaining coverage if the current estimates of the fulfillment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. This excess is recognized as a loss component within the liability for remaining coverage, which is reported in insurance contract liabilities on the consolidated statement of financial position.

<u>Insurance Contract Liabilities - Subsequent Measurement</u>

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.

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;
- Plus the amortization of insurance acquisition cash flows recognized as expenses;
- Minus the amount recognized as insurance revenue for services provided;
- Minus any additional insurance acquisition cash flows allocated after initial recognition.

The liability for incurred claims includes the fulfillment cash flows for losses on claims and expenses that have not yet been paid, including those that have been incurred but not reported. The liability for incurred claims reflects current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk. The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

3.1.4 Measurement (continued)

The Company remeasures the loss component using the same calculation as on initial recognition and reflects any changes by adjusting the loss component as required until the loss component is reduced to zero. If a loss component did not exist on initial recognition but there are indications that a group of contracts is onerous on subsequent measurement, then the Company establishes a loss component using the same methodology as on initial recognition.

Reinsurance Contract Assets – Initial Measurement

The Company measures its reinsurance contract assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

When there is an onerous group of underlying contracts, 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.

This loss recovery component adjusts the carrying amount of the reinsurance contract asset held.

Reinsurance Contract Assets – Subsequent Measurement

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

If a loss-recovery component exists, it is adjusted on subsequent measurement to reflect changes in the loss component of the onerous group of underlying contracts to the extent that it impacts reinsured cash flows, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contract assets held.

3.1.5 Derecognition and Contract Modification

An insurance contract is derecognized when it is extinguished, that is when the specified obligations in the contract expire or are discharged or cancelled. An insurance contract is also derecognized if its terms are modified in a way that would have significantly changed the accounting for the contract had the new terms always existed. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract. If an insurance contract modification does not result in derecognition, then the changes in cash flows caused by the modification are treated as changes in estimates of fulfillment cash flows.

3.1.6 Presentation

The Company has presented separately, in the consolidated 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.

3.1.6 Presentation (continued)

Any assets for insurance acquisition cash flows recognized before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts, are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount recognized in the consolidated statement of comprehensive loss into a net insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

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.

Insurance Revenue

The Company recognizes insurance revenue based on the expected premium receipts and the passage of time over the coverage period of a group of contracts unless the release of risk differs significantly from the passage of time, in which case insurance revenue is recognized based on the release of risk. For all periods presented, the Company has recognized insurance revenue based on the passage of time.

Insurance Service Expense

Insurance service expenses arising from insurance contracts are recognized in the consolidated statement of comprehensive loss as they are incurred and include losses on claims, other insurance service expenses, amortization of insurance acquisition costs, losses and reversals of losses on onerous contracts, and impairment losses and reversals of those impairment losses on insurance acquisition cash flow assets.

Net Finance Income or Expense from Insurance Contracts and Reinsurance Contract Assets Held

Net finance income or expense from insurance contracts and reinsurance contract assets held as presented in the consolidated statement of comprehensive loss are comprised of changes in the carrying amounts of insurance and reinsurance contracts arising from the effects of time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

3.2 Insurance and Reinsurance Contracts

3.2.1 Movements in net asset or liability for insurance contracts issued

The roll-forward of the net asset or liability for insurance contracts issued is disclosed below:

	2024			
	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities, beginning of year	$ 6,502,886	$ 36,307,026	$ 1,718,707	$ 44,528,619
Changes in the consolidated statement of comprehensive loss				
Insurance revenue	(71,521,383)	-	-	(71,521,383)
Insurance service expenses				
Incurred claims and other expenses	-	46,572,008	(1,161,175)	45,410,833
Amortization of insurance acquisition cash flows	19,340,029	-	-	19,340,029
Changes to liabilities for incurred claims	-	6,029,581	810,543	6,840,124
Total insurance service expenses	19,340,029	52,601,589	(350,632)	71,590,986
Insurance service result	(52,181,354)	52,601,589	(350,632)	69,603
Insurance finance expenses	-	2,003,753	-	2,003,753
Total changes in the consolidated statement of comprehensive loss	(52,181,354)	54,605,342	(350,632)	2,073,356
Cash flows				
Premiums received	71,636,622	-	-	71,636,622
Claims and other expenses paid	-	(49,574,412)	-	(49,574,412)
Insurance acquisition cash flows	(19,914,155)	-	-	(19,914,155)
Total cash flows	51,722,467	(49,574,412)	-	2,148,055
Insurance contract liabilities, end of year	$ 6,043,999	$ 41,337,956	$ 1,368,075	$ 48,750,030

3.2.1 Movements in net asset or liability for insurance contracts issued (continued)

	2023			
	Liabilities for remaining coverage	Liabilities for incurred claims		
	Excluding loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities, beginning of year	$ 6,718,224	$ 36,005,496	$ 1,707,718	$ 44,431,438
Changes in the consolidated statement of comprehensive loss				
Insurance revenue	(61,228,570)	-	-	(61,228,570)
Insurance service expenses				
Incurred claims and other expenses	-	36,515,624	19,735	36,535,359
Amortization of insurance acquisition cash flows	17,330,052	-	-	17,330,052
Changes to liabilities for incurred claims	-	2,048,402	(8,746)	2,039,656
Total insurance service expenses	17,330,052	38,564,026	10,989	55,905,067
Insurance service result	(43,898,518)	38,564,026	10,989	(5,323,503)
Insurance finance expenses	-	1,632,254	-	1,632,254
Total changes in the consolidated statement of comprehensive loss	(43,898,518)	40,196,280	10,989	(3,691,249)
Cash flows				
Premiums received	61,342,656	-	-	61,342,656
Claims and other expenses paid	-	(39,894,750)	-	(39,894,750)
Insurance acquisition cash flows	(17,659,476)	-	-	(17,659,476)
Total cash flows	43,683,180	(39,894,750)	-	3,788,430
Insurance contract liabilities, end of year	$ 6,502,886	$ 36,307,026	$ 1,718,707	$ 44,528,618

3.2.2 Movements in net asset or liability for reinsurance contracts held

The roll-forward of the net asset or liability for reinsurance contracts held is disclosed below:

	2024			
	Assets for remaining coverage	Assets for incurred claims		
	Excluding loss recovery component	Estimates of present value of future cash flows	Risk adjustments	Total
Reinsurance contract assets / (liabilities), beginning of year	$ (844,332)	$ 6,309,664	$ 230,641	$ 5,695,973
Changes in the consolidated statement of comprehensive loss				
Allocation of reinsurance premiums	(10,271,047)	-	-	(10,271,047)
Amounts recoverable from reinsurers for incurred claims				
Recoveries of incurred claims and other insurance service expenses	-	3,220,516	(128,932)	3,091,584
Changes to amounts recoverable for incurred claims	-	2,909,228	37,303	2,946,531
Total amounts recoverable from reinsurers for incurred claims	-	6,129,744	(91,629)	6,038,115
Net income or expense from reinsurance contracts held	(10,271,047)	6,129,744	(91,629)	(4,232,932)
Reinsurance finance income	-	242,024	-	242,024
Total changes in the consolidated statement of comprehensive loss	(10,271,047)	6,371,768	(91,629)	(3,990,908)
Cash flows				
Premiums paid	9,651,430	-	-	9,651,430
Amounts received	-	(7,494,586)	-	(7,494,586)
Total cash flows	9,651,430	(7,494,586)	-	2,156,844
Reinsurance contract assets / (liabilities), end of year	$ (1,463,949)	$ 5,186,846	$ 139,012	$ 3,861,909

3.2.2 Movements in net asset or liability for reinsurance contracts held (continued)

	2023			
	Assets for remaining coverage	Assets for incurred claims		
	Excluding loss recovery component	Estimates of present value of future cash flows	Risk adjustments	Total
Reinsurance contract assets / (liabilities), beginning of year	$ (1,363)	$ 8,677,296	$ 363,904	$ 9,039,837
Changes in the consolidated statement of comprehensive loss				
Allocation of reinsurance premiums	(9,214,070)	-	-	(9,214,070)
Amounts recoverable from reinsurers for incurred claims				
Recoveries of incurred claims and other insurance service expenses	-	3,611,423	15,894	3,627,317
Changes to amounts recoverable for incurred claims	-	1,242,640	(149,157)	1,093,483
Total amounts recoverable from reinsurers for incurred claims	-	4,854,063	(133,263)	4,720,800
Net income or expense from reinsurance contracts held	(9,214,070)	4,854,063	(133,263)	(4,493,270)
Reinsurance finance income	-	247,934	-	247,934
Total changes in the consolidated statement of comprehensive loss	(9,214,070)	5,101,997	(133,263)	(4,245,336)
Cash flows				
Premiums paid	8,371,101	-	-	8,371,101
Amounts received	-	(7,469,629)	-	(7,469,629)
Total cash flows	8,371,101	(7,469,629)	-	901,472
Reinsurance contract assets / (liabilities), end of year	$ (844,332)	$ 6,309,664	$ 230,641	$ 5,695,973

3.3 Insurance and Financial Risk

3.3.1 Insurance Risk

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 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. For longer tail claims that take some years to settle, there is also inflation risk. 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 contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

The ultimate cost of long settlement general liability claims are difficult to predict for several reasons. Claims may not be reported until many years after a policy expires. Changes in the legal environment can create further complications. Court decisions and federal and provincial legislation may dramatically increase the liability between the time a policy is written and associated claims are ultimately resolved. For example, liability for exposure to toxic substances and environmental impairment, which did not appear likely or even exist when the policies were written, has been imposed by legislators and judicial interpretation. Tort liability has been expanded by some jurisdictions to cover defective workmanship. Provisions for such difficult-to-estimate liabilities are established by examining the facts of tendered claims and adjusted in the aggregate for ultimate loss expectations based upon historical experience patterns and current socioeconomic trends.

The Company must participate in industry automobile residual pools of business, and recognizes a share of this business based on its automobile market share. The Company records its share of the assets, liabilities, revenue and expenses provided by the actuaries of the pools.

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are set by product line. The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of $550,000 (2023 - $450,000) in the event of a property claim, an amount of $1,450,000 (2023 - $1,250,000) in the event of an automobile claim, and $850,000 (2023 - $650,000) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $1,250,000 (2023 - $1,150,000) 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 80% (2023 – 80%) of gross net earned premiums for property and automobile.

Amounts recoverable from 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 members and thus a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

3.3.1.1 Claim development

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

The tables below show how the Company’s estimate of cumulative incurred claim cost for each accident year has changed at successive year ends and reconcile the cumulative claims to the amount appearing in the consolidated statement of financial position. An accident-year basis is considered to be the most appropriate for the business written by the Company.

3.3.1.1 Claim development

Amounts in $000s

Gross undiscounted liabilities for incurred claims for 2024

Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At the end year of claim	$ 22,070	$ 28,768	$ 27,806	$ 31,315	$ 36,534	$ 34,695	$ 27,244	$ 30,961	$ 35,154	$ 41,888	
One year later	20,185	28,959	24,503	31,325	35,450	32,737	27,122	30,834	38,312		
Two years later	18,112	27,631	25,550	30,952	35,745	31,060	29,297	33,806			
Three years later	17,360	29,795	24,584	31,424	36,949	32,791	32,080				
Four years later	17,773	30,153	24,607	31,647	37,475	32,867					
Five years later	18,225	29,631	24,430	29,926	36,711						
Six years later	17,851	29,574	25,262	29,909							
Seven years later	17,770	29,732	25,349								
Eight years later	17,549	30,078									
Nine years later	17,592										
Gross estimates of the undiscounted amount of the claims	17,592	30,078	25,349	29,909	36,711	32,867	32,080	33,806	38,312	41,888	$ 318,592
Cumulative payments to date	17,590	29,648	24,884	29,578	35,561	30,472	26,809	27,716	30,248	20,997	273,503
Gross undiscounted liabilities for incurred claims	$ 2	$ 430	$ 465	$ 331	$ 1,150	$ 2,395	$ 5,271	$ 6,090	$ 8,064	$ 20,891	45,089
Risk adjustment											1,368
Effect of discounting											(2,214)
Other attributable expenses											(1,536)
Total gross liabilities for incurred claims											$ 42,707

3.3.1.1 Claim development (continued)

Amounts in $000s	Net undiscounted liabilities for incurred claims for 2024										
Accident year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
At the end year of claim	$ 18,173	$ 23,102	$ 23,948	$ 27,564	$ 31,979	$ 26,646	$ 24,041	$ 27,355	$ 31,428	$ 39,375	
One year later	17,357	23,140	21,982	28,250	28,523	24,286	23,241	27,173	32,269		
Two years later	16,566	22,254	22,598	27,602	28,410	22,949	25,326	29,655			
Three years later	16,227	24,650	21,985	27,857	29,166	24,025	26,839				
Four years later	17,016	24,867	22,012	27,558	29,691	24,252					
Five years later	17,471	24,934	21,917	26,213	29,221						
Six years later	17,283	24,877	22,046	26,198							
Seven years later	17,202	25,028	22,133								
Eight years later	16,981	25,264									
Nine years later	17,025										
Net estimates of the undiscounted amount of the claims	17,025	25,264	22,133	26,198	29,221	24,252	26,839	29,655	32,269	39,375	$ 272,231
Cumulative payments to date	17,025	24,945	21,668	25,872	28,071	22,431	22,570	23,792	25,859	20,879	233,112
Net undiscounted liabilities for incurred claims	$ -	$ 319	$ 465	$ 326	$ 1,150	$ 1,821	$ 4,269	$ 5,863	$ 6,410	$ 18,496	39,119
Risk adjustment											1,229
Effects of discounting											(2,011)
Other attributable expenses											(957)
Total net liabilities for incurred claims											$ 37,380

3.3.2 Sensitivities

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 frequency, expected loss ratios and claims development. Results of sensitivity testing based on expected loss ratios are as follows, showing gross and net of reinsurance and the impact on pre-tax income:

		2024			
	Change in assumptions	Impact on profit before tax, gross of reinsurance $'000	Impact on profit before tax, net of reinsurance $'000	Impact on equity, gross of reinsurance $'000	Impact on equity, net of reinsurance $'000
Expected loss	+10%	(4,531)	(3,856)	(3,330)	(2,834)
Inflation rate	+1%	(544)	(463)	(400)	(340)
Expected loss	-10%	4,531	3,856	3,330	2,834
Inflation rate	-1%	544	463	400	340

		2023			
	Change in assumptions $'000	Impact on profit before tax, gross of reinsurance $'000	Impact on profit before tax, net of reinsurance $'000	Impact on equity, gross of reinsurance $'000	Impact on equity, net of reinsurance $'000
Expected loss	+10%	(3,820)	(3,327)	(2,808)	(2,445)
Inflation rate	+1%	(458)	(399)	(337)	(293)
Expected loss	-10%	3,820	3,327	2,808	2,445
Inflation rate	-1%	458	399	337	293

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

3.3.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. The Company has no material commitments for capital expenditures 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.

The Company may invest in short-term investments that are less than one year in term, including treasury bills both federal and provincial, bankers' acceptances and term deposits with a minimum credit rating of R1M as rated by the Dominion Bond Rating Service (DBRS).

The following table summarizes the maturity profile of portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contract held that are liabilities of the Company based on the estimates of the undiscounted future cash flows expected to be paid out in the periods expected:

Amounts in $000s	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	>5 years	Total
December 31, 2024							
Reinsurance contract assets	$ 2,870	$ 1,509	$ 857	$ 555	$ 138	$ 41	$ 5,970
Liability for incurred claims	(18,913)	(10,806)	(7,616)	(4,429)	(2,098)	(1,227)	(45,089)
Net insurance contract liabilities	$ (16,043)	$ (9,297)	$ (6,759)	$ (3,874)	$ (1,960)	$ (1,186)	$ (39,119)
Percent of Total	41%	24%	17%	10%	5%	3%	100%
December 31, 2023							
Reinsurance contract assets	$ 2,997	$ 1,576	$ 895	$ 580	$ 144	$ 41	$ 6,233
Liability for incurred claims	(16,336)	(9,334)	(6,578)	(3,826)	(1,812)	(1,059)	(38,945)
Net insurance contract liabilities	$ (13,339)	$ (7,758)	$ (5,683)	$ (3,246)	$ (1,668)	$ (1,018)	$ (32,712)
Percent of Total	41%	24%	17%	10%	5%	3%	100%

The following table presents the maturity profile of bonds and short-term investments held:

Amounts in $000s	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	>5 years	Total
December 31, 2024						
Debt instruments at FVTPL	$ 28,311	$ 18,651	$ 4,471	$ 4,905	$ 14,472	$ 70,810
Percent of Total	40%	26%	6%	7%	21%	100%
December 31, 2023						
Debt instruments at FVTPL	$ 3,337	$ 7,769	$ 9,401	$ 4,333	$ 37,102	$ 61,942
Percent of Total	5%	13%	15%	7%	60%	100%

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

3.3.4 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract issued or reinsurance contract held will fluctuate because of changes in market prices. Market factors that will impact the fair value of investments include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The total investment in one equity holding cannot exceed 10% of the total stock portfolio.

Currency risk relates to the Company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Company has no significant exposure to this risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument or insurance or reinsurance contract will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its interest bearing investments (Treasury Bills, Bonds and Fixed Income Mutual Funds).

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally, the Company's investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating gains or losses in comprehensive loss.

At December 31, a 1% move in interest rates, with all other variables held constant, could have the following impacts to the Company:

Amounts in $000s	2024			2023	
	Change in interest rate	Impact on pre-tax profit or loss	Impact on equity	Impact on pre-tax profit or loss	Impact on equity
Insurance and reinsurance contracts	+/- 1%	156	115	134	98
Debt instruments	+/- 1%	1,169	859	1,003	737

The Company is exposed to equity risk through its portfolio of stocks in unlisted Canadian companies and listed Canadian and US companies.

At December 31, 2024, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's listed Canadian equities of $105,523 (2023 - $715,907). This change would be recognized in comprehensive income.

3.3.4 Market risk (continued)

The Company's investment policy limits investment in preferred and common shares to a maximum of 20% of the market value of the portfolio. The total investment in one equity holding cannot exceed 10% of the total stock portfolio.

Equities are monitored by the Investment Committee and the Board of Directors and holdings are adjusted following each quarter to ensure the investments portfolio remains in compliance with the investment policy.

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

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk relating to its bond holdings in its investment portfolio.

The following table provides fair value information of investments by type of security and issuer.

	2024	2023
Short term	$ 8,833,430	$ 1,053,213
Bonds issued by:		
Federal	9,644,876	4,658,349
Provincial	11,739,671	17,476,529
Municipal	735,619	1,622,604
Corporate	33,490,939	32,614,499
Real estate	6,366,426	4,517,254
	61,977,531	60,889,235
Equity Investments	1,055,320	8,134,153
Fire Mutuals Guarantee Fund	93,010	99,718
Broker loans	43,626	76,485
	136,636	176,203
Total Investments	$ 72,002,917	$ 70,252,804

3.3.5 Market risk (continued)

The Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported. The policy is regularly reviewed for pertinence and for changes in the risk environment.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio includes 79% (2023 – 78%) of bonds rated A or better. The Company's investment policy limits investment in bonds and debentures of the various ratings to limits ranging from 20% to 100% of the Company's portfolio. The Company's policy requires that funds be invested in bonds and debentures of Federal, Provincial or Municipal Government, real estate, and corporations. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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. At year-end, the Company reviewed the amounts owing from its reinsurer and determined that no allowance is necessary.

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

4. Investments

(a) Recognition and initial measurement

The Company recognizes debt instruments (including pooled funds) on the date on which they are originated. Equity instruments are recognized on the settlement date, which is the date that the asset is received by the Company. The instruments are initially measured at fair value.

(b) Classification and subsequent measurement

The Company classifies its debt instruments (treasury bills, bonds and broker loan receivable) as FVTPL because the Company manages the debt instruments and evaluates their performance on a fair value basis in accordance with a documented investment strategy and the instruments are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Company's pooled funds are redeemable at the option of the holder and therefore considered debt instruments under IFRS 9 that do not give rise to cash flows that are solely payments of principal and interest and therefore are classified as FVTPL.

The Company classifies its equity instruments in listed and unlisted companies, as FVTPL.

The debt and equity instruments are subsequently measured at fair value where the net gains and losses, including any interest or dividend income, are recognized in comprehensive loss.

4. Investments (continued)

(c) Derecognition

The Company derecognizes investments when the contractual rights to the cash flows from the investment expires or the Company transfers the investment. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in comprehensive loss.

(d) Fair value measurement

The following table provides an analysis of investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. Investments (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2024				
Short Term	$ 8,833,430	$ -	$ -	$ 8,833,430
Bonds - Federal	-	9,644,876	-	9,644,876
Bonds - Provincial	-	11,739,671	-	11,739,671
Bonds - Municipal	-	735,619	-	735,619
Bonds - Corporate	-	33,490,939	-	33,490,939
Bonds - Real Estate	-	6,366,426	-	6,366,426
Equities	1,055,320	-	-	1,055,320
Fire Mutuals Guarantee Fund	-	93,010	-	93,010
Broker Loans	-	43,626	-	43,626
Total	$ 9,888,750	$ 62,114,167	$ -	$ 72,002,917
December 31, 2023				
Short Term	$ 1,053,213	$ -	$ -	$ 1,053,213
Bonds - Federal	-	4,658,349	-	4,658,349
Bonds - Provincial	-	17,476,529	-	17,476,529
Bonds - Municipal	-	1,622,604	-	1,622,604
Bonds - Corporate	-	32,614,499	-	32,614,499
Bonds - Real Estate	-	4,517,254	-	4,517,254
Equities	8,134,153	-	-	8,134,153
Fire Mutuals Guarantee Fund	-	99,718	-	99,718
Broker Loans	-	76,485	-	76,485
Total	$ 9,187,366	$ 61,065,438	$ -	$ 70,252,804

There were no transfers between any levels for the year end December 31, 2024 and 2023.

5. Investment and Other Income and Expenses

	2024	2023
Interest income	$ 2,721,921	$ 2,272,904
Dividend income	148,281	302,332
Realized gain (loss) on disposal of investments	1,756,537	(398,707)
Investment expenses	(234,525)	(253,794)
Unrealized gain (loss) on investments	(353,077)	2,470,031
	$ 4,039,137	$ 4,392,766

6. Capital Management

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

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

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

7. Insurance Service Expense and Operating and Administrative Expenses

	2024	2023
Claims and benefits	$48,687,025	$ 36,499,424
Commissions	10,448,126	9,649,687
Salaries, employee benefits and directors fees	7,714,519	7,044,316
Premium tax	164,535	130,000
Professional fees	1,010,642	935,742
Utilities and office expenses	955,965	957,165
Information technology	3,497,615	4,292,062
Underwriting expenses	660,951	524,523
Licenses, fees and dues	2,199,672	1,050,674
Other	1,110,896	1,024,491
	$76,449,946	$ 62,108,084
Insurance service expense	$71,661,444	$ 55,905,067
Operating and administrative expenses	4,788,502	6,203,017
	$76,449,946	$ 62,108,084

8. Salaries, Benefits and Directors Fees

	2024	2023
Total salaries and benefits paid to employees, commissions paid to agents and directors fees	$ 7,770,632	$ 7,100,716

9. Income Taxes

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

The significant components of tax expense included in comprehensive loss consist of:

	2024	2023
Current tax expense		
Based on current year taxable income	$ 42,875	$ 124,849
Deferred tax recovery		
Origination and reversal of temporary differences	(1,905,100)	(678,900)
Other	(38,100)	-
	(1,943,200)	(678,900)
Total income tax recovery	$ (1,900,325)	$ (554,051)

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

	2024	2023
Loss before taxes	$ (6,884,087)	$ (2,364,337)
Expected taxes based on the statutory rate of 26.5%	(1,824,283)	(626,549)
Non deductible expenses	43,551	10,804
Other	(119,593)	61,694
Total income tax expense (recovery)	$ (1,900,325)	$ (554,051)

At December 31, 2024, a deferred tax asset of $2,309,500 has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered through future rates.

10. Structured Settlements, Fire Mutuals Guarantee Fund and Financial Guarantee Contracts

The Company enters into annuity agreements with various life insurance companies to provide for fixed and recurring payments to claimants. Under such arrangements, the Company’s liability to its claimants is substantially transferred, although the Company remains exposed to the credit risk that life insurers fail to fulfill their obligations, unless otherwise assigned. As at December 31, 2024, no information has come to the Company's attention that would suggest any weakness or failure in these life insurers and consequently, no provision of risk is required. As at December 31, 2024, the maximum credit risk is $2,275,875 (2023 - $2,337,474) based on the valuation of the guaranteed payment schedule.

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.

The Company is a member of Farm Mutual Re ("the Plan"), which is a general reinsurer that shares in the insurance risks originally accepted by member insurance companies. As a member of the Plan, the Company may be required to contribute additional capital to the Plan in the form of subordinated debt should the Plan's capital fall below a prescribed minimum.

11. Property, Plant and Equipment

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

Depreciation is recognized in comprehensive loss and is provided on a straight-line basis over the estimated useful life of the assets.

		2024		
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 286,417	$ -	$ 286,417
Buildings	10 to 40 years	2,562,826	1,652,893	909,933
Computer hardware	5 years	332,463	226,354	106,109
Office equipment	10 to 15 years	406,791	307,152	99,639
Other equipment	15 years	10,668	5,130	5,538
Leasehold improvements	5 years	84,356	84,356	-
		$ 3,683,521	$ 2,275,885	$ 1,407,636

		2023		
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 286,417	$ -	$ 286,417
Buildings	10 to 40 years	2,559,932	1,578,854	981,078
Computer hardware	5 years	308,955	172,006	136,949
Office equipment	10 to 15 years	405,765	253,763	152,002
Other equipment	15 years	10,668	4,419	6,249
Leasehold improvements	5 years	84,356	84,356	-
		$ 3,656,093	$ 2,093,398	$ 1,562,695

12. Intangible Assets

Intangible assets consist of computer software and website which are not integral to the computer hardware owned by the Company; as well as a customer list, brand and goodwill. The computer software, website, and customer list have finite useful lives, are initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software, website, and customer list are amortized on a straight-line basis over its estimated useful life.

Amortization on intangible assets is included in other operating and administrative expenses on the Consolidated Statement of Comprehensive Loss.

			2024	
	Useful Life	Cost	Accumulated Amortization	Net Book Value
Computer software	5 years	$12,293,927	$ 6,131,419	$ 6,162,508
Customer list	20 years	2,579,415	404,734	2,174,681
		$14,873,342	$ 6,536,153	$ 8,337,189

			2023	
	Useful Life	Cost	Accumulated Amortization	Net Book Value
Computer software	5 years	$ 11,500,106	$ 4,090,425	$ 7,409,681
Customer list	20 years	2,111,195	285,279	1,825,916
		$ 13,611,301	$ 4,375,704	$ 9,235,597

Other intangible assets

	2024	2023
Brand	$ 111,787	$ 111,787
Goodwill	636,601	636,601
	$ 748,388	$ 748,388

The brand and goodwill have indefinite useful lives and are not amortized. The brand and goodwill are initially recorded at cost and subsequently measured at cost less accumulated impairment losses.

13. Pension Plans

The Company participates in a multi-employer defined benefit pension plan (the Ontario Mutual Insurance Association Pension Plan, "the plan"), however, sufficient information is not available to use defined benefit accounting. Therefore, the Company accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

The Company makes contributions to the plan on behalf of members of its staff. The plan is a money purchase plan, with a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay.

The amount contributed to the plan for 2024 was $35,894 (2023 - $37,359). The contributions were made for current service and these have been recognized in comprehensive loss. The current service amount is determined by the plan actuary using the projected accrued benefit actuarial cost method. The Company had a 3.50% share of the total contributions to the plan in 2024.

Expected contributions to the plan for 2025 amount to $40,804, which is based on payments made to the multi-employer plan during the current fiscal year.

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.

The defined benefit pension plan has been closed to future eligible employees effective July 1, 2013. The Company and all current employees who are accruing benefits under the defined benefit plan will continue to contribute to the defined benefit plan according to the existing terms of the agreement. Future eligible employees will become part of a defined contribution plan.

Defined contribution plan

The Company's agents and employees hired after June 30, 2013 participate in a defined contribution plan. The Company's obligation with respect to this plan is to make specified monthly payments based on a percentage of the employee's eligible earnings. The amount contributed to this plan for 2024 was $280,411 (2023 - $251,636).

Expected contributions to the plan for 2025 amount to $294,432, which is based on payments made to the multi-employer plan during the current fiscal year.

14. 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 and directors' fees	$ 1,921,968	$ 1,802,094
Employee and director benefits	160,984	144,491
Pension and other post-employment benefits	400,390	187,850
	$ 2,483,342	$ 2,134,435
Premiums written	$ 151,404	$ 129,567
Claims paid	$ -	$ -

Amounts owing from key management personnel at December 31, 2024 are $39,571 (2023 - $28,870). The amounts are included in accounts payable and accrued liabilities on the consolidated statement of financial position.