Kent & Essex Mutual Insurance Company
Financial Statements
December 31, 2024

Contents

For the year ended December 31, 2024

To the Policyholders of Kent & Essex Mutual Insurance Company:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MNP LLP

Wallaceburg, Ontario — Chartered Professional Accountants

February 25, 2025 — Licensed Public Accountants

Kent & Essex Mutual Insurance Company
Statement of Financial Position
As at December 31, 2024

	Notes		**2024**		2023
Assets					
Cash and cash equivalents		**$**	**14,766,553**	$	7,191,237
Investments	7		**93,246,648**		86,609,608
Reinsurance contract assets	5		**4,385,075**		11,021,699
Other assets			**1,152,619**		816,451
Property and equipment and intangibles	10		**6,161,596**		7,102,015
Deferred tax asset			**-**		1,008,000
		$	**119,712,491**	$	113,749,010
Liabilities					
Accounts payable and accrued liabilities		**$**	**862,890**	$	1,073,794
Income tax payable			**507,900**		-
Insurance contract liabilities	5		**38,863,935**		45,172,704
Other payables			**600,562**		412,976
Deferred tax liabilities			**1,862,000**		-
			42,697,287		46,659,474
Policyholders' surplus					
Unappropriated policyholders' surplus			**77,015,204**		67,089,536
		$	**119,712,491**	$	113,749,010

Approved on behalf of the Board

Jennifer Douglas

Director

Director

The accompanying notes are an integral part of these financial statements

Kent & Essex Mutual Insurance Company
Statement of Comprehensive Income (Loss)
For the year ended December 31, 2024

	Notes		***2024***		*2023*
Insurance revenue	5	**$**	**65,079,956**	$	54,842,186
Insurance service expense	5, 6		**(45,594,444)**		(60,935,495)
Insurance service result before reinsurance contracts held			**19,485,512**		(6,093,309)
Reinsurance premiums ceded			**(9,000,316)**		(8,209,679)
Recoverable from reinsurers for incurred claims			**2,031,609**		13,002,289
Net (expense) recovery from reinsurance contracts held			**(6,968,707)**		4,792,610
Insurance service result			**12,516,805**		(1,300,699)
Net investment income	8		**8,363,660**		5,778,273
Finance expense from insurance contracts issued			**(1,937,769)**		(2,176,769)
Finance income from reinsurance contracts held			**229,041**		398,025
Net insurance financial result			**(1,708,728)**		(1,778,744)
Other income			**1,950**		1,650
General and operating expenses	6		**(5,870,119)**		(4,690,835)
Other income and expenses			**(5,868,169)**		(4,689,185)
Income (loss) before tax			**13,303,568**		(1,990,355)
Income tax (expense) recovery	9		**(3,377,900)**		1,960,000
Total comprehensive income (loss) for the year		**$**	**9,925,668**	$	(30,355)

The accompanying notes are an integral part of these financial statements

Kent & Essex Mutual Insurance Company
Statement of Policyholders' Surplus
For the year ended December 31, 2024

		Surplus
Balance at January 1, 2023	**$**	**67,119,891**
Comprehensive loss for the year		**(30,355)**
Balance as at December 31, 2023		**67,089,536**
Comprehensive income for the year		**9,925,668**
Balance at December 31, 2024	**$**	**77,015,204**

The accompanying notes are an integral part of these financial statements

Kent & Essex Mutual Insurance Company
Statement of Cash Flows
For the year ended December 31, 2024

	Notes		*2024*		*2023*
Cash flows from operating activities					
Comprehensive income (loss) for the year		**$**	**9,925,668**	$	(30,355)
Adjustments for:					
Depreciation of property and equipment and amortization of intangible assets	6,10		**1,320,646**		1,241,053
Gain on disposition of property and equipment			**(450)**		(150)
Realized gains on sale of FVTPL financial assets	8		**(114,449)**		(409,940)
Unrealized gains on FVTPL financial assets	8		**(5,174,307)**		(2,333,901)
Interest and dividend income	8		**(3,238,279)**		(3,234,370)
Income tax expense (recovery)	9		**3,377,900**		(1,960,000)
			(3,828,939)		(6,697,308)
Changes in working capital accounts:					
Reinsurance contract assets			**6,636,624**		(5,512,128)
Other assets			**(336,168)**		(211,845)
Accounts payable and accrued liabilities			**(210,904)**		(24,941)
Insurance contract liabilities			**(6,308,769)**		2,930,529
Other payables			**187,586**		90,870
			(31,631)		(2,727,515)
Cash flows relating to interest and dividends and income taxes:					
Interest and dividends received			**3,227,711**		3,206,919
Income taxes recovered			**-**		1,564,006
			9,292,809		(4,684,253)
Cash flows from investing activities					
Proceeds from sale of investments			**11,608,880**		9,477,562
Purchase of investments			**(12,946,596)**		(8,002,544)
Additions to property and equipment	10		**(380,228)**		(2,628,471)
Proceeds on disposition of property and equipment			**450**		150
			(1,717,493)		(1,153,303)
Increase (decrease) in cash resources			**7,575,316**		(5,837,556)
Cash and cash equivalents, beginning of year			**7,191,237**		13,028,793
Cash and cash equivalents, end of year		**$**	**14,766,553**	$	7,191,237

The accompanying notes are an integral part of these financial statements

1. CORPORATION INFORMATION

Kent & Essex 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 property, liability, automobile, farmers' accident and aviation insurance (limited to unmanned air vehicles for use in farming and commercial activities) in Ontario. The Company's head office is located in Chatham, Ontario.

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

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

2. BASIS OF PRESENTATION AND MEASUREMENT

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

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

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

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

Reporting responsibilities

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES

a) INSURANCE AND REINSURANCE CONTRACTS

i. Insurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues property and casualty insurance to individuals and businesses, which includes property, liability, automobile, farmers' accident and aviation insurance (limited to unmanned air vehicles for use in farming and commercial activities). 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 (claim).

ii. Separating components from insurance and reinsurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

iii. Levels of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels which were higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios are comprised of 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 a group of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

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

The Company divides 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 be comprised of a single contract.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (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 that 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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

vi. Measurement – Premium Allocation Approach ("PAA")

	IFRS 17 Options	***Adopted approach***
PAA Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for all insurance and reinsurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.	For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all business lines, adjustments are made for the time value of money when assessing the incurred claims.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in Other Comprehensive Income.	For all contracts, the change in LIC as a result of changes in discount rates will be captured within comprehensive income.

vii. Insurance contracts – initial measurement

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

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

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

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

vii. Insurance contracts – initial measurement (Continued)

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 fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

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, and
- Minus the amount recognized as insurance revenue for the services provided in the period.

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

ix. Insurance contracts – subsequent measurement (Continued)

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 fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

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

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.

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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

xiii. Presentation (Continued)

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 based on the passage of time.

xv. Loss components

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

xvi. Loss-recovery components

As described in Note 3(a)(xv) above, where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

xvii. Finance expense from insurance contracts issued

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

xviii. Net expense (recovery) from reinsurance contracts held

The Company separately presents on the face of the statement of comprehensive income (loss), the amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

xviii. Net expense (recovery) from reinsurance contracts held (Continued)

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

xix. Insurance service expenses

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

b) CASH AND CASH EQUIVALENTS

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

c) INVESTMENTS

i) Financial assets

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

ii) Net investment income

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

c) INVESTMENTS (Continued)

iii) Financial Liabilities

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

Financial liabilities are subsequently measured at amortized cost.

d) INCOME TAXES

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

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

e) PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Costs include expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in the statement of comprehensive income (loss) and is provided over the useful life of the assets using the straight-line method. Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Company and the item can be reliably measured. Repairs and maintenance are charged to the statement of comprehensive income (loss) in the period in which they have been incurred.

Intangible assets consist of computer software which are not integral to the computer hardware owned by the Company. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. The amortization expense is recognized in the statement of comprehensive income (loss) and is provided over the estimated useful life of the asset.

Depreciation is recognized in comprehensive income using the following methods and rates:

Buildings	50 years straight-line
Computer hardware	3 years straight-line
Computer software	5 years straight-line
Furniture and equipment	5-15 years straight-line
Signs	25 years straight-line
Parking lot	20 years straight-line

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. Impairment losses are recognized in the statement of income (loss) as an expense. In the event the value of a previously impaired asset recovers, the previously recognized impairment loss is recovered in the statement of income (loss) at that time.

3. MATERIAL ACCOUNTING POLICIES (Continued)

f) EMPLOYEE FUTURE BENEFITS

i) Defined benefit pension plan

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

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

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

ii) Defined contribution pension plan

Eligible employees hired after January 1, 2014, are enrolled in the defined contribution plan. The Company makes, on behalf of its employees, matching contributions up to 7.5% of their gross salary. The plan is a money purchase plan.

g) STRUCTURED SETTLEMENTS AND FIRE MUTUALS GUARANTEE FUND

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

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

h) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

h) STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

- Entities are required to classify all income and expenses into five categories in the statement of comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

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

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

4. CRITICAL ACCOUNTING ESTIMATES

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

Estimates and Assumptions

Valuation of insurance contracts
The Company applies the PAA to simplify the measurement of insurance contracts. However, 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 fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognized on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

ii. *Time value of money*

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

b) Liability for incurred claims

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

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

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

Estimates and Assumptions (Continued)

b) Liability for incurred claims (Continued)

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. Instated, the assumptions used are those implicit in the historical claims development data on which the projects are based.

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

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

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

i. Discount rates

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

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

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

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in Note 5 (a)(i).

ii. 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 55^{th} – 60^{th} (2023 – 75^{th}) 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 55^{th} – 60^{th} (2023 - 75^{th}) percentile level less the mean of an estimated probability distribution of the future cash flows.

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

Estimates and Assumptions (Continued)

b) Liability for incurred claims (Continued)

ii. Risk adjustment for non-financial risk (Continued)

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 5 (a)(i).

Judgements

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

a) Measurement of income taxes

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

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

b) Measurement of insurance acquisition cash flows

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

c) *Classification of financial assets*

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

5. INSURANCE AND REINSURANCE CONTRACTS

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

The risks written by the Company are concentrated within Ontario.

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

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

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

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of $1,000,000 (2023 - $850,000) in the event of a property claim, $1,000,000 (2023 - $900,000) in the event of an automobile claim, $1,000,000 (2023 - $850,000) in the event of a liability claim and $60,000 (2023 - $60,000) in the event of a farmers’ accident claim. The Company also obtained reinsurance which limits the Company's liability to $2,700,000 (2023 - $2,400,000) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 70% (2023 – 70%) of gross net earned premiums.

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

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

2024

	Change in assumptions	**Impact on income (loss) before tax, gross of reinsurance**	**Impact on income (loss) before tax, net of reinsurance**	**Impact on surplus, gross of reinsurance**	**Impact on surplus, net of reinsurance**
Expected loss	**5.00%**	**$ (768,000)**	**$ (562,000)**	**$ (564,000)**	**$ (413,000)**
Inflation rate	**1.00%**	**(616,000)**	**(471,000)**	**(453,000)**	**(346,000)**
Discount rate	**1.00%**	**577,000**	**443,000**	**424,000**	**326,000**
Expected loss	**-5.00%**	**766,000**	**561,000**	**563,000**	**412,000**
Inflation rate	**-1.00%**	**601,000**	**461,000**	**442,000**	**339,000**
Discount rate	**-1.00%**	**$ (603,000)**	**$ (461,000)**	**$ (443,000)**	**$ (339,000)**

2023

	Change in assumptions	Impact on income (loss) before tax, gross of reinsurance	Impact on income (loss) before tax, net of reinsurance	Impact on surplus, gross of reinsurance	Impact on surplus, net of reinsurance
Expected loss	5.00%	$ (612,000)	$ (482,000)	$ (450,000)	$ (354,000)
Inflation rate	1.00%	(637,000)	(526,000)	(468,000)	(387,000)
Discount rate	1.00%	490,000	490,000	437,000	360,000
Expected loss	-5.00%	610,000	480,000	451,000	353,000
Inflation rate	-1.00%	623,000	514,000	458,000	378,000
Discount rate	-1.00%	$ (620,000)	$ (510,000)	$ (456,000)	$ (375,000)

ii. Claims development

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

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

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

ii. Claims development (Continued)

Gross and Net undiscounted liabilities for incurred claims for 2024

Amounts in $000	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Gross of Reinsurance											
End of insured event year	$ 20,466	$ 27,500	$ 32,306	$ 25,722	$ 27,627	$ 22,268	$ 21,369	$ 25,403	$ 50,459	$ 24,869	
One year later	19,865	23,340	29,611	24,258	28,309	20,295	22,707	22,043	51,200		
Two years later	18,095	21,752	25,448	22,136	28,617	19,690	21,315	22,223			
Three years later	16,946	18,135	25,177	21,774	28,609	19,302	21,248				
Four years later	13,895	17,355	24,903	20,286	27,321	19,539					
Five years later	13,576	17,642	25,477	19,805	27,041						
Six years later	13,316	17,744	25,363	19,353							
Seven years later	13,258	17,431	25,079								
Eight years later	13,253	17,616									
Nine years later	13,251										
Gross estimates of the undiscounted amount of the claims	**13,251**	**17,616**	**25,079**	**19,353**	**27,041**	**19,539**	**21,248**	**22,223**	**51,200**	**24,869**	**241,419**
Cumulative payments to date	(13,250)	(17,613)	(24,253)	(18,284)	(26,284)	(18,048)	(17,286)	(17,460)	(44,007)	(14,411)	(210,896)
Gross undiscounted liabilities for incurred clams	1	3	826	1,069	757	1,491	3,962	4,763	7,193	10,458	30,523
Outstanding claims 2014 and prior											286
Risk adjustment											706
Effect of discounting											(2,001)
Gross IBNR											2,097
Total liabilities for incurred claims											**$ 31,611**

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

ii. Claims development (Continued)

Gross and Net undiscounted liabilities for incurred claims for 2024

Amounts in $'000	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Net of Reinsurance											
End of insured event year	$ 17,384	$ 23,924	$ 26,981	$ 23,787	$ 22,117	$ 20,644	$ 19,322	$ 23,377	$ 41,137	$ 22,941	
One year later	16,498	23,279	25,126	19,649	21,590	18,631	19,697	20,935	50,021		
Two years later	18,767	21,709	21,687	20,428	21,337	18,463	19,355	20,611			
Three years later	17,801	16,365	21,655	20,481	21,754	18,651	19,353				
Four years later	12,092	15,681	21,599	19,660	21,476	18,416					
Five years later	11,808	15,919	21,572	19,531	21,218						
Six years later	11,651	16,096	23,472	19,086							
Seven years later	11,644	16,987	23,568								
Eight years later	11,651	17,171									
Nine years later	11,648										
Net estimates of the undiscounted amount of the claims	**11,648**	**17,171**	**23,568**	**19,086**	**21,218**	**18,416**	**19,353**	**20,611**	**50,021**	**22,941**	**224,033**
Cumulative payments to date	(11,647)	(17,167)	(22,892)	(18,017)	(20,528)	(17,529)	(16,272)	(17,124)	(43,656)	(14,411)	(199,243)
Net undiscounted liabilities for incurred claims	1	4	676	1,069	690	887	3,081	3,487	6,365	8,530	24,790
Outstanding claims 2014 and prior											284
Risk adjustment											584
Effect of discounting											(1,535)
Gross IBNR											1,051
Total net liabilities for incurred claims											**$ 25,174**

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management

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

i. Credit risk

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

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits and corporate sector limits. The bond portfolio remains very high quality with 85% (2023 – 86%) 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 65% to 90% of the Company's portfolio. Funds should be invested in bonds and debentures of Federal, Provincial or Municipal Government and corporations rated BBB or better. The Company's investment policy also permits investment in structured notes to a maximum of 2% of the portfolio. The portfolio did not include structured notes at December 31, 2024. (2023 – 1% of the portfolio is in structured notes). All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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

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

2024	A or better	Less than A	Not rated	Total
Insurance contract assets - bonds	$ 54,675,322	$ 9,986,354	$ -	$ 64,661,676
Insurance contract assets - structured notes	-	-	-	-
Reinsurance contract assets	-	4,385,075	-	4,385,075
	54,675,322	**14,371,429**	**-**	**$ 69,046,751**

2023	A or better	Less than A	Not rated	Total
Insurance contract assets - bonds	$ 51,682,608	$ 8,349,462	$ -	$ 60,032,070
Insurance contract assets - structured notes	777,736	-	-	777,736
Reinsurance contract assets	-	11,021,699	-	11,021,699
	52,460,344	19,371,161	-	$ 71,831,505

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

i. Credit risk (Continued)

Concentrations of credit risk

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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

ii. Liquidity risk

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

The Company's investment policy requires that 0% to 20% of the Company's portfolio be held in cash and short-term investments. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year.

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

For the year ended December 31, 2024

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Financial assets							
Cash and cash equivalents	$ 14,766,553	$ -	$ -	$ -	$ -	$ -	$ 14,766,553
Investments	36,080,056	9,053,241	11,705,170	8,428,538	11,955,650	16,023,993	93,246,648
Insurance assets							
Reinsurance contract assets	337,075	1,079,000	965,000	743,000	608,000	653,000	4,385,075
Total assets	$ 51,183,684	$ 10,132,241	$ 12,670,170	$ 9,171,538	$ 12,563,650	$ 16,676,993	$ 112,398,276
Insurance liabilities							
Liability for incurred claims	$ 12,996,624	$ 6,079,138	$ 4,764,851	$ 3,626,936	$ 2,252,885	$ 1,890,186	$ 31,610,620
Financial liabilities							
Accounts payable and accrued liabilities	862,890	-	-	-	-	-	862,890
Other payables	65,464	20,514	58,285	33,806	15,222	407,271	600,562
Total liabilities	$ 13,924,978	$ 6,099,652	$ 4,823,136	$ 3,660,742	$ 2,268,107	$ 2,297,457	$ 33,074,072
Net liquidity position	$ 37,258,706	$ 4,032,589	$ 7,847,034	$ 5,510,796	$ 10,295,543	$ 14,379,536	$ 79,324,204

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

ii. Liquidity risk (Continued)

For the year ended December 31, 2023

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Financial assets							
Cash and cash equivalents	$ 7,191,237	$ -	$ -	$ -	$ -	$ -	$ 7,191,237
Investments	29,807,990	9,598,427	8,629,140	10,923,498	8,347,109	19,303,444	86,609,608
Insurance assets							
Reinsurance contract assets	8,178,699	726,000	597,000	408,000	429,000	683,000	11,021,699
Total assets	$ 45,177,926	$ 10,324,427	$ 9,226,140	$ 11,331,498	$ 8,776,109	$ 19,986,444	$ 104,822,544
Insurance liabilities							
Liability for incurred claims	$ 20,721,923	$ 5,991,000	$ 3,948,000	$ 2,941,000	$ 2,103,000	$ 2,285,000	$ 37,989,923
Financial liabilities							
Accounts payable and accrued liabilities	1,073,794	-	-	-	-	-	1,073,794
Other payables	25,632	20,662	20,324	27,771	30,333	288,254	412,976
Total liabilities	$ 21,821,349	$ 6,011,662	$ 3,968,324	$ 2,968,771	$ 2,133,333	$ 2,573,254	$ 39,476,693
Net liquidity position	$ 23,356,577	$ 4,312,765	$ 5,257,816	$ 8,362,727	$ 6,642,776	$ 17,413,190	$ 65,345,851

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

iii. Market risk

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

1. Interest rate risk

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

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

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on comprehensive income (loss) and policyholders' surplus. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

		2024		2023	
	Change in interest rate	**Effect on comprehensive income(loss)**	**Effect on policyholders' surplus**	**Effect on comprehensive income(loss)**	**Effect on policyholders' surplus**
Debt instruments	**+100 bps**	**$ (2,149,608)**	**$ (1,579,962)**	$ (2,071,541)	$ (1,522,583)
Debt instruments	**-100 bps**	**$ 2,149,608**	**$ 1,579,962**	$ 2,071,541	$ 1,522,583

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

iii. Market risk (Continued)

2. Price risk

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

At December 31, 2024, a 10% move in equity markets, with all other variables held constant, would have an estimated effect on the fair values of these equity holdings of $2,192,786 (2023 - $2,245,260). This change would be recognized in the statement of comprehensive income (loss).

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

3. Currency risk

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

At December 31, 2024, a 10% change in the value of the United States dollar would have an estimated effect on the fair values of these foreign holdings of $316,000 (2023 - $328,600). This change would be recognized in the statement of comprehensive income (loss).

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

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

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

For the period ended December 31, 2024	Liabilities for remaining coverage	Liabilities for incurred claims		TOTAL
	Ex. Loss Component	Expected PVFCF*	Risk Adjustment	
Opening balance Insurance Contract Liabilities	$ 7,182,781	$ 36,778,663	$ 1,211,260	$ 45,172,704
Insurance Revenue	(65,079,956)	-	-	(65,079,956)
Incurred claims and other insurance service expenses	-	28,041,203	196,750	28,237,953
Amortization of insurance acquisition cash flows	17,799,149	-	-	17,799,149
Adjustments to liabilities for incurred claims	-	258,733	(701,391)	(442,658)
Total Insurance service expenses	17,799,149	28,299,936	(504,641)	45,594,444
Insurance service result	$ (47,280,807)	$ 28,299,936	$ (504,641)	$ (19,485,512)
Finance expense from insurance contracts issued	-	1,937,769	-	1,937,769
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	(47,280,807)	30,237,705	(504,641)	(17,547,743)
CASH FLOWS				
Premiums received for insurance contracts	68,698,981	-	-	68,698,981
Claims, benefits and other expenses paid	-	(36,112,230)	-	(36,112,230)
Insurance acquistion cash flows	(21,347,777)	-	-	(21,347,777)
TOTAL CASH FLOWS	47,351,204	(36,112,230)		11,238,974
Ending balance insurance contract liabilities	**$ 7,253,178**	**$ 30,904,138**	**$ 706,619**	**$ 38,863,935**

* PVFCF refers to present value of future cash flows

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

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

For the period ended December 31, 2023	Liabilities for remaining coverage	Liabilities for incurred claims		TOTAL
	Ex. Loss Component	Expected PVFCF*	Risk Adjustment	
Opening balance Insurance Contract Liabilities	$ 8,193,321	$ 33,184,941	$ 863,913	$ 42,242,175
Insurance Revenue	(54,842,186)	-	-	(54,842,186)
Incurred claims and other insurance service expenses		62,713,629	627,643	63,341,272
Amortization of insurance acquisition cash flows	14,749,418	-	-	14,749,418
Adjustments to liabilities for incurred claims	-	(16,874,899)	(280,296)	(17,155,195)
Total insurance service expenses	14,749,418	45,838,730	347,347	60,935,495
Insurance service result	$ (40,092,768)	$ 45,838,730	$ 347,347	$ 6,093,309
Finance expense from insurance contracts issued	-	2,176,769	-	2,176,769
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	(40,092,768)	48,015,499	347,347	8,270,078
CASH FLOWS				
Premiums received for insurance contracts	53,878,306	-	-	53,878,306
Claims, benefits and other expenses paid	-	(44,421,777)	-	(44,421,777)
Insurance acquistion cash flows	(14,796,078)	-	-	(14,796,078)
TOTAL CASH FLOWS	39,082,228	(44,421,777)		(5,339,549)
Ending balance insurance contract liabilities	**$ 7,182,781**	**$ 36,778,663**	**$ 1,211,260**	**$ 45,172,704**

* PVFCF refers to present value of future cash flows

d) Roll forward of net asset or liability for 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.

For the period ended December 31, 2024	Assets for remaining coverage	Amounts recoverable on incurred claims		TOTAL
	Ex. Loss- Recovery Component	Expected PVFCF*	Risk Adjustment	
Net opening reinsurance contract held balances	$ (1,096,254)	$ 11,815,892	$ 302,061	$ 11,021,699
CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME				
Allocation of reinsurance premiums paid	$ (9,000,316)	$ -	$ -	$ (9,000,316)
Incurred claims recovered and other reinsurance service expenses	-	2,083,803	(88,284)	1,995,519
Adjustments to assets for incurred claims	-	127,048	(90,958)	36,090
Amounts recoverable from reinsurers		2,210,851	(179,242)	2,031,609
Net recovery' from reinsurance contracts held	$ (9,000,316)	$ 2,210,851	$ (179,242)	$ (6,968,707)
Finance income from reinsurance contracts held	-	229,041	-	229,041
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	$ (9,000,316)	$ 2,439,892	$ (179,242)	$ (6,739,666)
Premiums paid	8,045,615			8,045,615
Amounts received	-	(7,942,573)	-	(7,942,573)
TOTAL CASH FLOWS	$ 8,045,615	$ (7,942,573)		$ 103,042
Net ending reinsurance contract held balances	**$ (2,050,955)**	**$ 6,313,211**	**$ 122,819**	**$ 4,385,075**

* PVFCF refers to present value of future cash flow

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Roll forward of net asset or liability for reinsurance contracts (Continued)

For the period ended December 31, 2023	Assets for remaining coverage	Amounts recoverable on incurred claims		TOTAL
	Ex. Loss- Recovery Component	Expected PVFCF*	Risk Adjustment	
Net opening reinsurance contract held balances	$ (446,552)	$ 5,746,123	$ 210,000	$ 5,509,571
CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME				
Allocation of reinsurance premiums paid	$ (8,209,679)	$ -	$ -	$ (8,209,679)
Incurred claims recovered and other reinsurance service expenses	-	16,800,966	227,270	17,028,236
Adjustments to assets for incurred claims	-	(3,890,738)	(135,209)	(4,025,947)
Amounts recoverable from reinsurers		12,910,228	92,061	13,002,289
Net recovery' from reinsurance contracts held	$ (8,209,679)	$ 12,910,228	$ 92,061	$ 4,792,610
Finance income from reinsurance contracts held		398,025		398,025
TOTAL CHANGES IN THE STATEMENT OF COMPREHENSIVE INCOME	$ (8,209,679)	$ 13,308,253	$ 92,061	$ 5,190,635
Premiums paid	7,559,977	-	-	7,559,977
Amounts received	-	(7,238,484)	-	(7,238,484)
TOTAL CASH FLOWS	$ 7,559,977	$ (7,238,484)		$ 321,493
Net ending reinsurance contract held balances	**$ (1,096,254)**	**$ 11,815,892**	**$ 302,061**	**$ 11,021,699**

* PVFCF refers to present value of future cash flows

6. INSURANCE SERVICE EXPENSE

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

	2024	2023
Claims and benefits	**$26,727,848**	$45,201,853
Salaries, employee benefits and directors' fees	**5,851,813**	4,673,729
Professional fees (other than legal)	**473,178**	523,441
Legal fees	**11,290**	20,323
Commissions	**11,102,463**	9,820,507
Depreciation and amortization	**1,320,646**	1,241,053
Occupancy expenses	**551,997**	456,866
Information technology	**3,769,384**	2,538,489
Other general expense	**1,655,944**	1,150,069
Total	**$51,464,563**	**$65,626,330**

Represented by:	**2024**	2023
Insurance service expenses	**$45,594,444**	$60,935,495
General and operating expenses	**5,870,119**	4,690,835
Total	**$51,464,563**	**$65,626,330**

7. INVESTMENTS

	December 31, 2024		December 31, 2023	
	Cost	Fair value	Cost	Fair value
Bonds issued by:				
Federal	**$ 2,746,346**	**$ 2,530,141**	$ 2,922,656	$ 2,664,858
Provincial	**19,566,265**	**18,077,412**	17,198,057	15,469,657
Municipal	**4,348,683**	**4,048,841**	3,577,007	3,222,045
Corporate				
A or better	**30,106,266**	**30,018,928**	31,057,225	30,326,048
BBB	**10,287,629**	**9,986,354**	8,995,513	8,349,462
	67,055,189	**64,661,676**	63,750,458	60,032,070
Structured notes				
Principle protected notes	**-**	**-**	900,000	777,736
Equity investments				
Canadian common	**11,740,464**	**17,817,098**	11,434,529	15,482,997
Canadian preferred	**2,445,126**	**2,287,337**	3,107,605	2,606,727
Foreign	**4,193,301**	**7,806,080**	4,754,305	7,049,159
	18,378,891	**27,910,515**	19,296,439	25,138,883
Other investments				
Fire Mutuals Guaranteed Fund	**85,830**	**85,830**	82,860	82,860
Accrued interest	**588,627**	**588,627**	578,059	578,059
Total investments	**$ 86,108,537**	**$ 93,246,648**	$ 84,607,816	$ 86,609,608

The effective investment yield for the year is 8.29% (2023 – 5.98%).

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	Level 2	Level 3	Total
December 31, 2024				
Bonds and accrued interest	**$ -**	**$ 65,250,303**	**$ -**	**$ 65,250,303**
Equities	**27,910,515**	**-**	**-**	**27,910,515**
Other investments	**-**	**85,830**	**-**	**85,830**
Total	**$ 27,910,515**	**$ 65,336,133**	**$ -**	**$ 93,246,648**
December 31, 2023				
Bonds and accrued interest	$ -	$ 60,610,129	$ -	$ 60,610,129
Structured notes	-	777,736	-	777,736
Equities	25,138,883	-	-	25,138,883
Other investments	-	82,860	-	82,860
Total	$ 25,138,883	$ 61,470,725	$ -	$ 86,609,608

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

8. NET INVESTMENT INCOME (LOSS)

		2024		2023
Interest income	$	**2,343,197**	$	2,368,336
Dividend income		**895,082**		866,034
Realized gains on sale of FVTPL financial assets		**114,449**		409,940
Unrealized gains on FVTPL financial assets		**5,174,307**		2,333,901
Foreign exchange		**63,152**		20,350
Investment expenses		**(226,527)**		(220,288)
	$	**8,363,660**	$	5,778,273

9. INCOME TAXES

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

		2024		2023
Current tax expense	$	**507,900**	$	-
Deferred tax expense (recovery)		**2,870,000**		(1,960,000)
Provision for (recovery of) income taxes	$	**3,377,900**	$	(1,960,000)

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

		2024		2023
Income (loss) before tax	$	**13,303,568**	$	(1,990,355)
Expected taxes (recovery) based on the statutory rate of 26.5% (2023 - 26.5%)		**3,525,000**		(528,000)
Other		**-**		(740,000)
Other non-deductible timing differences		**23,900**		(2,450)
Non-taxable investment income		**(171,000)**		(194,000)
Claims reserves timing differences		**-**		(495,550)
Expense (recovery) of income taxes	$	**3,377,900**	$	(1,960,000)

As at December 31, 2024, the Company had nil (2023 - $8,060,000) of non-capital loss carryforwards which are available to offset future income.

10. PROPERTY AND EQUIPMENT AND INTANGIBLES

Cost	Land	Buildings	Furniture and equipment	Signs	Parking lot	Computer hardware	Computer Software	Total
Balance at January 1, 2023	$ 367,121	$ 3,217,847	$ 560,480	$ 50,723	$ 36,750	$ 800,577	$ 2,791,796	$ 7,825,294
Additions	-	-	57,465	-	-	84,063	2,486,943	2,628,471
Disposals	-	-	(9,225)	-	-	(12,883)	-	(22,108)
Balance on December 31, 2023	367,121	3,217,847	608,720	50,723	36,750	871,757	5,278,739	10,431,657
Additions	-	-	14,543	-	-	365,685	-	380,228
Disposals	-	-	-	-	-	(30,850)	-	(30,850)
Balance on December 31, 2024	**$ 367,121**	**$ 3,217,847**	**$ 623,263**	**$ 50,723**	**$ 36,750**	**$ 1,206,592**	**$ 5,278,739**	**$ 10,781,035**
Accumulated depreciation								
Balance at January 1, 2023	$ -	$ 915,451	$ 403,424	$ 30,434	$ 27,563	$ 733,825	$ -	$ 2,110,697
Depreciation expense	-	64,357	33,135	2,029	1,838	83,948	1,055,748	1,241,055
Disposals	-	-	(9,225)	-	-	(12,883)		(22,108)
Balance on December 31, 2023	-	979,808	427,334	32,463	29,401	804,890	1,055,748	3,329,644
Depreciation and amortization expense	-	64,357	35,933	2,029	1,838	160,741	1,055,748	1,320,646
Disposals	-	-	-	-	-	(30,851)	-	(30,851)
Balance on December 31, 2024	**$ -**	**$ 1,044,165**	**$ 463,267**	**$ 34,492**	**$ 31,239**	**$ 934,780**	**$ 2,111,496**	**$ 4,619,439**
Net book value								
December 31, 2023	$ 367,121	$ 2,238,039	$ 181,386	$ 18,260	$ 7,350	$ 66,868	$ 4,222,991	$ 7,102,015
December 31, 2024	**$ 367,121**	**$ 2,173,682**	**$ 159,996**	**$ 16,231**	**$ 5,511**	**$ 271,812**	**$ 3,167,243**	**$ 6,161,596**

11. PENSION PLANS

a) Defined benefit pension plan

The amount contributed to the defined benefit plan for 2024 was $216,281 (2023 - $224,828). The contributions were made for current service. This was recognized in comprehensive income. These contributions amount to 4.9% of the total contributions made to the pension plan by all participating entities during the current fiscal year. Expected contributions to the plan for the next annual reporting period amount to $238,000, which is based on payments made to the multi-employer plan during the current fiscal year.

An actuarial valuation of the pension plan as of December 31, 2021, showed a going-concern surplus position. The next actuarial valuation to be filed under the Pension Benefit Act will be as of December 31, 2024. This valuation is currently ongoing.

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.

b) Defined contribution pension plan

The amount contributed to the plan for 2024 was $292,975 (2023 - $229,965). Expected contributions to the plan for the next annual reporting period amount to $310,000, which is based on payments made to the plan during the current fiscal year.

12. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with key management personnel, which are defined 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	**$**	**1,000,067**	$	915,709
Pension and other post-employment benefits		**89,827**		61,905
	$	**1,089,894**	$	977,614
Premiums written	**$**	**170,898**	$	188,666
Claims paid	**$**	**103,703**	$	190,607

Amounts owing from key management personnel at December 31, 2024 is $18,566 (2023 - $25,443). These amounts are included in insurance contract liabilities on the Statement of Financial Position.

13. CAPITAL MANAGEMENT

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

The Company’s objectives with respect to capital management are to 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

13. CAPITAL MANAGEMENT (Continued)

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.

14. SUBSEQUENT EVENT

Subsequent to December 31, 2024 the Company entered into a contract to purchase land and a building for $4,700,000. The property will be developed and used by the Company in future operations. Once completed the investment will be reflected in the Statement of Financial Position as part of Property, equipment and intangibles.