

**Kent & Essex Mutual Insurance Company**  
**Consolidated Financial Statements**  
*December 31, 2025*

# Kent & Essex Mutual Insurance Company

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*For the year ended December 31, 2025*

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**MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**  
**DECEMBER 31, 2025**

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The accompanying consolidated financial statements are the responsibility of the management of Kent & Essex Mutual Insurance Company. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (including the accounting requirements of the Financial Services Regulatory Authority of Ontario) and have been approved by the Board of Directors.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of Kent & Essex Mutual Insurance Company, which includes adherence by all employees to the Company's Code of Conduct. Management maintains a system of internal accounting controls to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgements.

The Audit Committee and the Board of Directors review and approve the annual consolidated financial statements. In addition, the Audit Committee meets periodically with financial officers of Kent & Essex Mutual Insurance Company and the external auditors, and reports to the Board of Directors thereon. The Audit Committee and Board of Directors also review the consolidated financial statements in their entirety.

The accompanying consolidated financial statements have been audited by MNP LLP, authorized to practice public accounting by the Chartered Professional Accountants of Ontario, who are engaged by the Board of Directors and whose appointment was ratified at the annual meeting of the policyholders. The auditors have access to the Audit Committee, without management present, to discuss the results of their work. Their report dated February 24, 2026, expresses their unmodified opinion on the Company's 2025 consolidated financial statements.



Kevin Konecny, CPA, CA, CIP  
President & CEO



Reginald L'Ecuyer, CPA CGA  
Chief Financial Officer

To the Policyholders of Kent & Essex Mutual Insurance Company

## Opinion

We have audited the consolidated financial statements of Kent & Essex Mutual Insurance Company (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of comprehensive income, policyholders' 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 financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS<sup>®</sup> Accounting Standards as issued by the International Accounting Standards Board.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 the consolidated financial statements in accordance with IFRS<sup>®</sup> Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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 Company 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.

Wallaceburg, Ontario

February 24, 2026

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

# Kent & Essex Mutual Insurance Company

## Consolidated Statement of Financial Position

*As at December 31, 2025*

	Notes	2025	2024
<b>Assets</b>			
Cash and cash equivalents		\$ 19,194,928	\$ 14,766,553
Investments	7	100,133,109	93,246,648
Reinsurance contract assets	5	5,364,889	4,385,075
Investment property	11	1,103,250	-
Investment in associate	12	817,358	-
Other assets		2,725,410	1,152,619
Property and equipment and intangibles	10	7,344,498	6,161,596
		<b>\$ 136,683,442</b>	<b>\$ 119,712,491</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities		\$ 2,285,965	\$ 862,890
Income tax payable		249,900	507,900
Insurance contract liabilities	5	48,055,735	38,863,935
Other payables		884,125	600,562
Deferred income tax liabilities		932,000	1,862,000
		<b>52,407,725</b>	<b>42,697,287</b>
<b>Policyholders' surplus</b>			
Unappropriated policyholders' surplus		<b>84,275,717</b>	<b>77,015,204</b>
		<b>\$ 136,683,442</b>	<b>\$ 119,712,491</b>

Approved on behalf of the Board

  
Director

  
Director

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

# Kent & Essex Mutual Insurance Company

## Consolidated Statement of Comprehensive Income

*For the year ended December 31, 2025*

	Notes	2025	2024
Insurance revenue	5	\$ 77,785,987	\$ 65,079,956
Insurance service expense	5, 6	(58,415,296)	(45,594,444)
<b>Insurance service result before reinsurance contracts held</b>		<b>19,370,691</b>	19,485,512
Reinsurance premiums ceded	5	(10,472,599)	(9,000,316)
Recoverable from reinsurers for incurred claims	5	1,313,733	2,031,609
<b>Net expense from reinsurance contracts held</b>		<b>(9,158,866)</b>	(6,968,707)
<b>Insurance service result</b>		<b>10,211,825</b>	12,516,805
<b>Net investment income</b>	8	<b>7,926,955</b>	8,363,660
Finance expense from insurance contracts issued	5	(1,460,577)	(1,937,769)
Finance income from reinsurance contracts held	5	232,763	229,041
<b>Net insurance financial result</b>		<b>(1,227,814)</b>	(1,708,728)
Other income		10,135	1,950
General and operating expenses	6	(7,305,588)	(5,870,119)
<b>Other income and expenses</b>		<b>(7,295,453)</b>	(5,868,169)
<b>Income before tax</b>		<b>9,615,513</b>	13,303,568
Income tax expense	9	(2,355,000)	(3,377,900)
<b>Total comprehensive income for the year</b>		<b>\$ 7,260,513</b>	\$ 9,925,668

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

**Kent & Essex Mutual Insurance Company**  
**Consolidated Statement of Policyholders' Surplus**

*For the year ended December 31, 2025*

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	<i>Surplus</i>
<b>Balance at January 1, 2024</b>	<b>\$ 67,089,536</b>
Comprehensive income for the year	<b>9,925,668</b>
<b>Balance as at December 31, 2024</b>	<b>77,015,204</b>
Comprehensive income for the year	<b>7,260,513</b>
<b>Balance at December 31, 2025</b>	<b>\$ 84,275,717</b>

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

# Kent & Essex Mutual Insurance Company

## Consolidated Statement of Cash Flows

*For the year ended December 31, 2025*

	Notes	2025	2024
<b>Cash flows from operating activities</b>			
Comprehensive income for the year		\$ 7,260,513	\$ 9,925,668
Adjustments for:			
Depreciation of property and equipment and amortization of intangible assets	6,10	262,346	1,320,646
Gain on disposition of property and equipment		(200)	(450)
Net realized gains on sale of FVTPL financial assets	8	(933,559)	(114,449)
Unrealized gains on FVTPL financial assets	8	(3,743,176)	(5,174,307)
Interest and dividend income	8	(3,483,251)	(3,238,279)
Income tax expense	9	2,355,000	3,377,900
		<b>(5,542,840)</b>	<b>(3,828,939)</b>
Changes in working capital accounts:			
Reinsurance contract assets		(979,814)	6,636,624
Other assets		1,594,452	(336,168)
Accounts payable and accrued liabilities		1,423,075	(210,904)
Insurance contract liabilities		9,191,800	(6,308,769)
Other payables		283,563	187,586
		<b>11,513,076</b>	<b>(31,631)</b>
Cash flows relating to interest and dividends and income taxes:			
Interest and dividends received		3,519,276	3,227,711
Income taxes paid		(3,543,000)	-
		<b>13,207,025</b>	<b>9,292,809</b>
<b>Cash flows used in investing activities</b>			
Proceeds from sale of investments		15,355,612	11,608,880
Purchase of investments		(17,601,363)	(12,946,595)
Purchase of investment property	11	(1,103,250)	-
Purchase of investment in associate		(817,358)	-
Additions to property and equipment	10	(4,612,491)	(380,228)
Proceeds on disposition of property and equipment		200	450
		<b>(8,778,650)</b>	<b>(1,717,493)</b>
<b>Increase in cash and cash equivalents</b>		<b>4,428,375</b>	<b>7,575,316</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>14,766,553</b>	<b>7,191,237</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 19,194,928</b>	<b>\$ 14,766,553</b>

*The accompanying notes are an integral part of these consolidated 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 insurance 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 10 Creek Rd, 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.

The Company's wholly owned subsidiary, 1001448582 Ontario Inc., was incorporated on December 18, 2025.

These consolidated financial statements have been authorized for issue by the Board of Directors on February 24, 2026.

## **2. BASIS OF PRESENTATION AND MEASUREMENT**

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

These consolidated 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 Consolidated 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 Consolidated Statement of Financial Position date (current) and more than twelve months after the Consolidated Statement of Financial Position date (non-current), presented in the notes.

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

### ***Reporting responsibilities***

The consolidated 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 consolidated 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 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 their 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) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 1001448582 Ontario Inc.

*i. Subsidiaries*

Subsidiaries are entities controlled by the Company. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and it has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities and that the Company has the practical ability to exercise, is considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

*ii. Transactions eliminated on consolidation*

All intercompany transactions and balances have been eliminated

#### b) 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 level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart.

### 3. MATERIAL ACCOUNTING POLICIES (Continued)

#### b) Insurance and Reinsurance Contracts (Continued)

##### iii. Levels of aggregation (Continued)

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

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

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

##### iv. Recognition

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

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

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

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

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

##### v. Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

### 3. MATERIAL ACCOUNTING POLICIES (Continued)

#### b) Insurance and Reinsurance Contracts (Continued)

##### vi. Measurement - Premium Allocation Approach ("PAA")

	<i>IFRS 17 Options</i>	<i>Adopted Approach</i>
PAA Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Coverage period for all insurance and reinsurance contracts 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,
- 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 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.

### 3. MATERIAL ACCOUNTING POLICIES (Continued)

#### b) Insurance and Reinsurance Contracts (Continued)

*viii. Reinsurance contracts held - Initial measurement*

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

*ix. Insurance contracts - Subsequent measurement*

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

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

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

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognizes a loss in 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 profit or 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.

### 3. MATERIAL ACCOUNTING POLICIES (Continued)

#### b) Insurance and Reinsurance Contracts (Continued)

*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 Consolidated 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 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.

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

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

*xiv. Insurance revenue*

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

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

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

### **3. MATERIAL ACCOUNTING POLICIES (Continued)**

#### **b) Insurance and Reinsurance Contracts (Continued)**

*xv. Loss components*

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the 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(b)(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 expense from insurance contracts issued comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money; and the effect of financial risk and changes in financial risk. The Company presents insurance finance income or expenses within the Consolidated Statement of Comprehensive Income each period.

*xviii. Net expense from reinsurance contracts held*

The Company separately presents on the face of the Consolidated Statement of Comprehensive Income, the amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid.

The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the Consolidated Statement of Comprehensive Income.

*xix. Insurance service expenses*

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

#### **c) 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.

### 3. MATERIAL ACCOUNTING POLICIES (Continued)

#### d) 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. This does not include investment in associates or investment properties; refer to Note 3 (g) and (j), respectively.

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 on FVTPL assets. Interest income is recognized as it accrues in the Consolidated Statement of Comprehensive Income, using the effective interest method. Dividend income is recognized in the Consolidated Statement of 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.

##### *iii) Financial liabilities*

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

Financial liabilities are subsequently measured at amortized cost.

#### e) Income Taxes

Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the Consolidated Statement of Comprehensive Income.

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.

### **3. MATERIAL ACCOUNTING POLICIES (Continued)**

#### **f) 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 Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income and is provided over the estimated useful life of the asset.

Depreciation is recognized in the Consolidated Statement of 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. Construction in progress represents expenditures incurred to date on assets that are not yet ready for their intended use. Depreciation will commence when the asset is available for use in the manner intended by management.

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 Consolidated Statement of Comprehensive Income as an expense. In the event the value of a previously impaired asset recovers, the previously recognized impairment loss is recovered in the Consolidated Statement of Comprehensive Income at that time.

#### **g) Investment Property**

The investment property is real-estate property held for long-term rental income or for capital appreciation or both, and is not occupied by the Company. Investment property is initially measured at cost. Subsequent to initial recognition, the investment property is measured at fair value with the change in fair value being recorded in the Consolidated Statement of Comprehensive Income. The Company revalues the investment property on an annual basis with the value being determined by market value defined as the highest price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser.

Rental income from the investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

### 3. MATERIAL ACCOUNTING POLICIES (Continued)

#### h) 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 Ontario Mutual Insurance Association Pension Plan, the Company is liable for the obligations of other companies participating in the pension should they be unable to satisfy their respective funding requirements.

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

The defined benefit plan has been closed to future 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.

#### i) 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.

#### j) Investments in Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

### **3. MATERIAL ACCOUNTING POLICIES (Continued)**

#### **j) Investments in Associate (Continued)**

The results of the operations and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income (OCI) of the associate. Distributions received from the associate reduce the Company's investment balance unless the distributions received from the associate exceed the Company's share of the associate's policyholders' surplus. In the event distributions received from an associate exceeds the Company's interest in the net assets of the associate, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Any losses in excess are recorded as a reduction of the Company's carrying value, the distribution is recognized as income if the Company has no obligation to refund the distribution or is not currently liable for the obligations of the associate, the distribution is recorded as a liability.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the associate, including goodwill, is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the Consolidated Statement of Comprehensive Income in the period in which the investment is acquired.

The requirements of IAS 36, Impairment of Assets (IAS 36) are applied to determine whether it is necessary to recognize any impairment losses with respect to the Company's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal) with the carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company acquired an equal share, 33.33% of a private insurance brokerage with two unrelated parties and has concluded that these investments are considered investments in associates which have been included in the consolidated financial statements.

#### **k) Standards Issued But Not Yet Effective**

A number of new standards are effective for annual periods beginning after January 1, 2025 and earlier application is permitted; however, the Company has not early adopted the new standards in preparing these financial statements. The following standards are expected to have a material impact on the Company's consolidated financial statements in the period of initial application.

##### ***IFRS 18 Presentation and Disclosure in Financial Statements***

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

- Entities are required to classify all income and expenses into five categories in the Consolidated 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 consolidated financial statements.

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

### 3. MATERIAL ACCOUNTING POLICIES (Continued)

#### k) Standards Issued But Not Yet Effective (Continued)

##### *IFRS 18 Presentation and Disclosure in Financial Statements (Continued)*

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 Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cashflows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the consolidated financial statements, including for items currently labelled as 'other'.

##### *Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*

In May 2024, the International Accounting Standards Board (IASB) issued narrow scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments were incorporated into Part I of the CPA Canada Handbook – Accounting in October 2024.

The amendments:

- Provide clarification that a financial liability is derecognized on the 'settlement date', i.e., the date on which the liability is extinguished as the obligation specified in the contract is discharged or cancelled or expired. For financial liabilities settled in payments of cash, this means that a financial liability is derecognized when the cash payment has cleared the receiving entity's bank account;
- Provide an accounting policy option to derecognize a financial liability that is settled in cash using an electronic payment system before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option shall apply it to all settlements made through the same electronic payment system;
- Emphasize that a financial asset is derecognized when the contractual rights to the cash flows expire or the asset is transferred;
- Clarify how to assess the contractual cash flow characteristics of financial assets with contingent features, including environmental, social and corporate governance (ESG) linked features;
- Clarify that, for a financial asset to have 'non-recourse' features, the entity's ultimate right to receive cash flows must be contractually limited to the cash flows generated by specified assets. The amendments also include factors that an entity should consider when assessing the cash flows underlying a financial asset with non-recourse features;
- Clarify the characteristics of the contractually linked instruments that distinguish them from other transactions; and
- Add new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments that have certain contingent features.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendments are to be applied retrospectively. In applying the amendments, an entity is not required to restate comparative periods.

### 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 consolidated 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.

#### *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.

**4. CRITICAL ACCOUNTING ESTIMATES (Continued)**

**Estimates and Assumptions**

**a) Liability for incurred claims**

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

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

These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the 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 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	
	2025	2024	2025	2024	2025	2024	2025	2024
Insurance Contract Liabilities	2.33	3.06	2.75	3.01	3.11	3.20	3.94	3.84
Reinsurance Contract Assets	2.33	3.06	2.75	3.01	3.11	3.20	3.94	3.84

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

*ii. Risk adjustment for non-financial risk*

The measurement of insurance contract liabilities includes a risk adjustment for non-financial risk to be applied to the present value of the estimated future cash flows. The risk adjustment is the Company's compensation for bearing the uncertainty relating to non-financial risk which pertains to the amount and timing of cash flows as the Company fulfills insurance contracts. The Company has estimated the risk adjustment using a confidence level approach at the 55th - 60th percentile (2024 - 55th - 60th percentile).

#### 4. CRITICAL ACCOUNTING ESTIMATES (Continued)

##### Estimates and Assumptions (Continued)

###### a) *Liability for incurred claims (Continued)*

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

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

###### iii. *Measurement of insurance acquisition cash flows*

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

#### 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 minimise potential adverse effects on the Company's financial performance.

The risks written by the Company are concentrated within Ontario.

###### a) *Insurance risk*

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

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 \$1,200,000 (2024 - \$1,000,000) in the event of a property claim, \$1,200,000 (2024 - \$1,000,000) in the event of an automobile claim, \$1,200,000 (2024 - \$1,000,000) in the event of a liability claim and \$60,000 (2024 - \$60,000) in the event of a farmers' accident claim. The Company also obtained reinsurance which limits the Company's liability to \$3,000,000 (2024 - \$2,700,000) 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% (2024 - 70%) of gross net earned premiums.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

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

<b>2025</b>					
	<b>Change in assumptions</b>	<b>Impact on income before tax, gross of reinsurance</b>	<b>Impact on income before tax, net of reinsurance</b>	<b>Impact on policyholders' surplus, gross of reinsurance</b>	<b>Impact on policyholders' surplus, net of reinsurance</b>
Expected loss	5.0%	(955,000)	(739,000)	(702,000)	(543,000)
Inflation Rate	1.0%	(675,000)	(525,000)	(496,000)	(386,000)
Discount Rate	1.0%	636,000	495,000	467,000	364,000
Expected Loss	-5.0%	956,000	738,000	703,000	542,000
Inflation Rate	-1.0%	660,000	514,000	485,000	378,000
Discount Rate	-1.0%	(663,000)	(515,000)	(457,000)	(379,000)
<b>2024</b>					
	<b>Change in assumptions</b>	<b>Impact on income before tax, gross of reinsurance</b>	<b>Impact on income before tax, net of reinsurance</b>	<b>Impact on policyholders' surplus, gross of reinsurance</b>	<b>Impact on policyholders' surplus, net of reinsurance</b>
Expected loss	5.0%	(768,000)	(562,000)	(564,000)	(413,000)
Inflation Rate	1.0%	(616,000)	(471,000)	(453,000)	(346,000)
Discount Rate	1.0%	577,000	443,000	424,000	326,000
Expected Loss	-5.0%	766,000	561,000	563,000	412,000
Inflation Rate	-1.0%	601,000	461,000	442,000	339,000
Discount Rate	-1.0%	(603,000)	(461,000)	(443,000)	(339,000)

*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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**5. INSURANCE AND REINSURANCE CONTRACTS (Continued)**

**a) Insurance risk (Continued)**

*ii. Claims development (Continued)*

*Gross and net undiscounted liabilities for incurred claims for 2025*

<b>Amounts in \$'000</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Gross of Reinsurance											
End of insured event year	27,500	32,306	25,722	27,627	22,268	21,369	25,403	50,459	24,869	30,404	
One year later	23,340	29,611	24,258	28,309	20,295	22,707	22,043	51,200	24,126		
Two years later	21,752	25,448	22,136	28,617	19,690	21,315	22,223	51,203			
Three years later	18,135	25,177	21,774	28,609	19,302	21,248	22,907				
Four years later	17,355	24,903	20,286	27,321	19,539	21,106					
Five years later	17,642	25,477	19,805	27,041	19,308						
Six years later	17,744	25,363	19,353	27,274							
Seven years later	17,431	25,079	19,377								
Eight years later	17,616	25,623									
Nine years later	17,614										
<b>Gross estimates of the undiscounted amount of the claims</b>	<b>17,614</b>	<b>25,623</b>	<b>19,377</b>	<b>27,274</b>	<b>19,308</b>	<b>21,106</b>	<b>22,907</b>	<b>51,203</b>	<b>24,126</b>	<b>30,404</b>	<b>258,942</b>
Cumulative payments to date	(17,613)	(24,944)	(18,545)	(26,861)	(18,995)	(18,101)	(17,717)	(45,331)	(18,216)	(16,005)	(222,328)
Gross undiscounted liabilities for incurred claims	1	679	832	413	313	3,005	5,190	5,872	5,910	14,399	36,614
Risk adjustment											802
Effect of discounting											(2,004)
Gross IBNR											2,451
<b>Total liabilities for incurred claims</b>											<b>\$ 37,863</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**5. INSURANCE AND REINSURANCE CONTRACTS (Continued)**

**a) Insurance risk (Continued)**

*ii. Claims development (Continued)*

*Gross and net undiscounted liabilities for incurred claims for 2025 (Continued)*

<b>Amounts in \$000</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
Net of Reinsurance											
End of insured event year	23,924	26,981	23,787	22,117	20,644	19,322	23,377	41,137	22,941	28,373	
One year later	23,279	25,126	19,649	21,590	18,631	19,697	20,935	50,021	23,053		
Two years later	21,709	21,687	20,428	21,337	18,463	19,355	20,611	50,151			
Three years later	16,365	21,665	20,481	21,754	18,651	19,353	21,000				
Four years later	15,681	21,599	19,660	21,476	18,416	19,286					
Five years later	15,919	21,572	19,531	21,218	18,365						
Six years later	16,096	23,472	19,086	21,506							
Seven years later	16,987	23,568	19,106								
Eight years later	17,171	24,106									
Nine years later	17,168										
<b>Net estimates of the undiscounted amount of the claims</b>	<b>17,168</b>	<b>24,106</b>	<b>19,106</b>	<b>21,506</b>	<b>18,365</b>	<b>19,286</b>	<b>21,000</b>	<b>50,151</b>	<b>23,053</b>	<b>28,373</b>	<b>242,114</b>
Cumulative payments to date	(17,167)	(23,475)	(18,278)	(21,105)	(18,084)	(17,068)	(17,375)	(44,980)	(18,216)	(16,005)	(211,753)
Net undiscounted liabilities for incurred claims	1	631	828	401	281	2,218	3,625	5,171	4,837	12,368	30,361
Risk adjustment											834
Effect of discounting											(1,540)
Net IBNR											1,205
<b>Total net liabilities for incurred claims</b>											<b>\$ 30,860</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**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 financial instruments and its insurance contracts:

*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 87% (2024 - 85%) 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. 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 principally through its investment securities and reinsurance contract assets. The table below provides information regarding the credit quality of reinsurance contract assets and debt instruments measured at FVTPL.

	<b>2025</b>			
	<b>A or better</b>	<b>Less than A</b>	<b>Not Rated</b>	<b>Total</b>
Cash and cash equivalents	\$ 19,194,928	\$ -	\$ -	\$ 19,194,928
Debt instruments at FVTPL	58,420,988	9,068,997	-	67,489,985
Reinsurance contract assets	-	5,364,889	-	5,364,889
	<b>\$ 77,615,916</b>	<b>\$ 14,433,886</b>	<b>\$ -</b>	<b>\$ 92,049,802</b>

  

	<b>2024</b>			
	<b>A or better</b>	<b>Less than A</b>	<b>Not Rated</b>	<b>Total</b>
Cash and cash equivalents	\$ 14,766,553	\$ -	\$ -	\$ 14,766,553
Debt instruments at FVTPL	54,675,322	9,986,354	-	64,661,676
Reinsurance contract assets	-	4,385,075	-	4,385,075
	<b>\$ 69,441,875</b>	<b>\$ 14,371,429</b>	<b>\$ -</b>	<b>\$ 83,813,304</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**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 a client. Claim payments are funded by current operating cash flow 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 and financial liabilities and insurance liabilities are summarized in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analyzed 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, 2025**

	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
<b>Financial assets</b>							
Cash and cash equivalents	\$ 19,194,928	-	-	-	-	-	\$ 19,194,928
Investments	39,816,902	11,880,015	8,625,251	12,697,252	6,393,197	20,720,492	100,133,109
<b>Insurance assets</b>							
Reinsurance contract assets	165,687	958,684	1,275,532	1,503,651	759,249	702,086	5,364,889
<b>Total assets</b>	<b>\$ 59,177,517</b>	<b>\$ 12,838,699</b>	<b>\$ 9,900,783</b>	<b>\$ 14,200,903</b>	<b>\$ 7,152,446</b>	<b>\$ 21,422,578</b>	<b>\$ 124,692,926</b>
<b>Insurance liabilities</b>							
Liability for incurred claims	\$ 15,949,184	\$ 6,153,598	\$ 6,063,899	\$ 5,368,427	\$ 3,248,454	\$ 2,281,251	\$ 39,064,813
<b>Financial liabilities</b>							
Accounts payable and accrued liabilities	2,285,966	-	-	-	-	-	2,285,966
Other payables	105,547	48,657	30,194	18,294	41,539	639,894	884,125
<b>Total liabilities</b>	<b>\$ 18,340,697</b>	<b>\$ 6,202,255</b>	<b>\$ 6,094,093</b>	<b>\$ 5,386,721</b>	<b>\$ 3,289,993</b>	<b>\$ 2,921,145</b>	<b>\$ 42,234,904</b>
<b>Net liquidity position</b>	<b>\$ 40,836,820</b>	<b>\$ 6,636,444</b>	<b>\$ 3,806,690</b>	<b>\$ 8,814,182</b>	<b>\$ 3,862,453</b>	<b>\$ 18,501,433</b>	<b>\$ 82,458,022</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**5. INSURANCE AND REINSURANCE CONTRACTS (Continued)**

**b) Financial risk management (Continued)**

*ii. Liquidity risk (Continued)*

**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
<b>Financial assets</b>							
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
<b>Insurance assets</b>							
Reinsurance contract assets	337,075	1,079,000	965,000	743,000	608,000	653,000	4,385,075
<b>Total assets</b>	<b>\$ 51,183,684</b>	<b>\$ 10,132,241</b>	<b>\$ 12,670,170</b>	<b>\$ 9,171,538</b>	<b>\$ 12,563,650</b>	<b>\$ 16,676,993</b>	<b>\$ 112,398,276</b>
<b>Insurance liabilities</b>							
Liability for incurred claims	\$ 14,291,624	\$ 6,079,138	\$ 4,764,851	\$ 3,626,936	\$ 2,252,885	\$ 1,890,186	\$ 32,905,620
<b>Financial liabilities</b>							
Accounts payable and accrued liabilities	862,890	-	-	-	-	-	862,890
Other payables	65,464	20,514.00	58,285.00	33,806.00	15,222.00	407,271.00	600,562
<b>Total liabilities</b>	<b>\$ 15,219,978</b>	<b>\$ 6,099,652</b>	<b>\$ 4,823,136</b>	<b>\$ 3,660,742</b>	<b>\$ 2,268,107</b>	<b>\$ 2,297,457</b>	<b>\$ 34,369,072</b>
<b>Net liquidity position</b>	<b>\$ 35,963,706</b>	<b>\$ 4,032,589</b>	<b>\$ 7,847,034</b>	<b>\$ 5,510,796</b>	<b>\$ 10,295,543</b>	<b>\$ 14,379,536</b>	<b>\$ 78,029,204</b>

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.

*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 consolidated comprehensive income 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.

	2025			2024		
	Change in interest	Effect on comprehensive income	Effect on policyholders' surplus	Effect on comprehensive income	Effect on policyholders' surplus	
Debt instruments	+100 bps	\$ (2,259,219)	\$ (1,660,526)	\$ (2,149,608)	\$ (1,579,962)	
Debt instruments	-100 bps	\$ 2,259,219	\$ 1,660,526	\$ 2,149,608	\$ 1,579,962	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**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, 2025, 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 \$2,133,577 (2024 - \$2,192,786) in the Consolidated Statement of Comprehensive Income and \$1,568,179 (2024 - \$1,611,698) in the Consolidated Statement of Policyholders' Surplus.

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; refer to Note 7 for total holdings of investments held in the United States dollar.

At December 31, 2025, 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 \$266,400 (2024 - \$316,000) in the Consolidated Statement of Comprehensive Income and \$195,804 (2024 - \$232,260) in the Consolidated Statement of Policyholders' Surplus.

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.

<i>For the period ended December 31, 2025</i>	Liabilities for remaining coverage		Liabilities for incurred claims		TOTAL
	Ex. Loss Component	Expected PVFCF*	Risk Adjustment		
Opening balance insurance contract liabilities	\$ 7,253,178	\$ 30,904,138	\$ 706,619	\$	\$ 38,863,935
Insurance revenue	(77,785,987)	-	-	-	(77,785,987)
Incurred claims and other directly attributable expenses	-	36,713,307	287,062	-	37,000,369
Amortization of insurance acquisition cash flows	21,462,909	-	-	-	21,462,909
Adjustments to liabilities for incurred claims	-	143,453	(191,435)	-	(47,982)
Total insurance service expenses	21,462,909	36,856,760	95,627	-	58,415,296
Insurance service result	(56,323,078)	36,856,760	95,627	-	(19,370,691)
Finance expense from insurance contracts issued	-	1,460,577	-	-	1,460,577
TOTAL CHANGES IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	(56,323,078)	38,317,337	95,627	-	(17,910,114)
<b>CASH FLOWS</b>					
Premiums received for insurance contracts	81,120,874	-	-	-	81,120,874
Claims, benefits, and other expenses paid	-	(32,160,909)	-	-	(32,160,909)
Insurance acquisition cash flows	(21,858,051)	-	-	-	(21,858,051)
TOTAL CASH FLOWS	59,262,823	(32,160,909)	-	-	27,101,914
Ending balance insurance contract liabilities	\$ 10,192,923	\$ 37,060,566	\$ 802,246	\$	\$ 48,055,735

\*PVFCF refers to present value of future cash flows

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**5. INSURANCE AND REINSURANCE CONTRACTS (Continued)**

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

<i>For the period ended December 31, 2024</i>	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 directly attributable 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
<b>TOTAL CHANGES IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>(47,280,807)</b>	<b>30,237,705</b>	<b>(504,641)</b>		<b>(17,547,743)</b>
<b>CASH FLOWS</b>					
Premiums received for insurance contracts	68,698,981	-	-	-	68,698,981
Claims, benefits, and other expenses paid	-	(36,112,230)	-	-	(36,112,230)
Insurance acquisition cash flows	(21,347,777)	-	-	-	(21,347,777)
<b>TOTAL CASH FLOWS</b>	<b>47,351,204</b>	<b>(36,112,230)</b>			<b>11,238,974</b>
<b>Ending balance insurance contract liabilities</b>	<b>\$ 7,253,178</b>	<b>\$ 30,904,138</b>	<b>\$ 706,619</b>		<b>\$ 38,863,935</b>

\*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 portfolio on an overall basis without further disaggregating information based on major product lines. This approach reflects the Company's management and reporting practices.

<i>For the period ended December 31, 2025</i>	Assets for remaining coverage		Amounts recoverable on incurred claims		TOTAL
	Ex. Loss-Recovery Component	Expected PVFCF*	Risk Adjustment		
Net opening reinsurance contract held balances	\$ (2,050,955)	\$ 6,313,211	\$ 122,819	\$	\$ 4,385,075
<b>CHANGES IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
Allocation of reinsurance premiums ceded	(10,472,599)	-	-	-	(10,472,599)
Incurred claims recovered and other directly attributable expenses	-	2,455,780	8,208	-	2,463,988
Adjustments to assets for incurred claims	-	(987,550)	(162,705)	-	(1,150,255)
Net recovery from reinsurance contracts held	(10,472,599)	1,468,230	(154,497)	-	(9,158,866)
Finance income from reinsurance contracts held	-	232,763	-	-	232,763
<b>TOTAL CHANGES IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>(10,472,599)</b>	<b>1,700,993</b>	<b>(154,497)</b>		<b>(8,926,103)</b>
Premiums paid	10,885,423	-	-	-	10,885,423
Amounts received	-	(979,506)	-	-	(979,506)
<b>TOTAL CASH FLOWS</b>	<b>10,885,423</b>	<b>(979,506)</b>			<b>9,905,917</b>
<b>Net ending reinsurance contract held balances</b>	<b>\$ (1,638,131)</b>	<b>\$ 7,034,698</b>	<b>\$ (31,678)</b>		<b>\$ 5,364,889</b>

\*PVFCF refers to present value of future cash flows

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025**

**5. INSURANCE AND REINSURANCE CONTRACTS (Continued)**

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

<i>For the period ended December 31, 2024</i>	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
<b>CHANGES IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
Allocation of reinsurance premiums ceded	(9,000,316)	-	-		(9,000,316)
Incurred claims recovered and other directly attributable expenses	-	2,083,803	(88,284)		1,995,519
Adjustments to assets for incurred claims	-	127,048	(90,958)		36,090
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
<b>TOTAL CHANGES IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>(9,000,316)</b>	<b>2,439,892</b>	<b>(179,242)</b>		<b>(6,739,666)</b>
Premiums paid	8,045,615	-	-		8,045,615
Amounts received	-	(7,942,573)	-		(7,942,573)
<b>TOTAL CASH FLOWS</b>	<b>8,045,615</b>	<b>(7,942,573)</b>	<b>-</b>		<b>103,042</b>
<b>Net ending reinsurance contract held balances</b>	<b>\$ (2,050,955)</b>	<b>\$ 6,313,211</b>	<b>\$ 122,819</b>	<b>\$</b>	<b>\$ 4,385,075</b>

\*PVFCF refers to present value of future cash flows

**6. INSURANCE SERVICE EXPENSE**

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

	2025	2024
Claims and benefits	\$ 37,322,402	\$ 26,727,848
Salaries, employee benefits and directors' fees	6,826,069	5,851,813
Professional fees (other than legal)	820,183	473,178
Legal fees	33,675	11,290
Commissions	12,870,236	11,102,463
Depreciation and amortization	262,346	1,320,646
Occupancy	951,070	551,997
Information technology	4,809,667	3,769,384
Other	1,825,238	1,655,944
<b>Total</b>	<b>\$ 65,720,886</b>	<b>\$ 51,464,563</b>
<b>Represented by:</b>		
Insurance service expenses	\$ 58,415,297	\$ 45,594,444
General and operating expenses	7,305,589	5,870,119
<b>Total</b>	<b>\$ 65,720,886</b>	<b>\$ 51,464,563</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**7. INVESTMENTS**

	December 31, 2025		December 31, 2024	
	Cost	Fair Value	Cost	Fair Value
Bonds issued by:				
Federal	\$ 751,605	\$ 717,909	\$ 2,746,346	\$ 2,530,141
Provincial	22,795,322	21,495,237	19,566,265	18,077,412
Municipal	4,526,599	4,242,341	4,348,683	4,048,841
Corporate				
A or better	31,702,194	31,965,502	30,106,266	30,018,928
BBB	9,274,276	9,068,997	10,287,629	9,986,354
	<b>69,049,996</b>	<b>67,489,986</b>	67,055,189	64,661,676
Equity investments				
Canadian common	14,288,806	22,805,197	11,740,464	17,817,098
Canadian preferred	1,711,701	1,835,905	2,445,126	2,287,337
Foreign equity	3,527,499	7,362,101	4,193,301	7,806,080
	<b>19,528,006</b>	<b>32,003,203</b>	18,378,891	27,910,515
Other investments				
Fire Mutuals Guarantee Fund	87,914	87,914	85,830	85,830
Accrued interest	552,006	552,006	588,627	588,627
<b>Total investments</b>	<b>\$ 89,217,922</b>	<b>\$ 100,133,109</b>	\$ 86,108,537	\$ 93,246,648

The effective investment yield for the year is 6.97% (2024 - 8.29%)

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
<b>December 31, 2025</b>				
Bonds and accrued interest	\$ -	\$ 6,804,991	\$ -	\$ 6,804,991
Equities	32,003,204	-	-	32,003,204
Other investments	-	87,914	-	87,914
<b>Total</b>	<b>\$ 32,003,204</b>	<b>\$ 6,892,905</b>	<b>\$ -</b>	<b>\$ 38,896,109</b>
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
<b>Total</b>	<b>\$ 27,910,515</b>	<b>\$ 65,336,133</b>	<b>\$ -</b>	<b>\$ 93,246,648</b>

There were no transfers between Level 1, Level 2 and Level 3 for the years ended December 31, 2025 and 2024.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**8. NET INVESTMENT INCOME**

	2025	2024
Interest income	\$ 2,552,038	\$ 2,343,197
Dividend income	931,213	895,082
Realized gains on sale of FVTPL financial assets	933,559	114,449
Unrealized gains on FVTPL financial assets	3,743,176	5,174,307
Foreign exchange	9,159	63,152
Investment expenses	(242,190)	(226,527)
	<b>\$ 7,926,955</b>	<b>\$ 8,363,660</b>

**9. INCOME TAXES**

The significant components of income tax (recovery) expense included in the Consolidated Statement of Comprehensive Income are composed of:

	2025	2024
Current tax expense	\$ 3,285,000	\$ 507,900
Deferred tax (recovery) expense	(930,000)	2,870,000
<b>Provision for income taxes</b>	<b>\$ 2,355,000</b>	<b>\$ 3,377,900</b>

Reasons for the difference between income tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2024 - 26.5%) are as follows:

	2025	2024
Income before tax	\$ 9,615,513	\$ 13,303,568
Expected taxes based on the statutory rate of 26.5% (2024 - 26.5%)	2,548,111	3,525,000
Other non-deductible timing differences	14,889	23,900
Non-taxable investment income	(208,000)	(171,000)
<b>Provision for income taxes</b>	<b>\$ 2,355,000</b>	<b>\$ 3,377,900</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**10. PROPERTY AND EQUIPMENT AND INTANGIBLES**

<b>Cost</b>	<b>Land</b>	<b>Buildings</b>	<b>Furniture and Equipment</b>	<b>Signs</b>	<b>Parking Lot</b>	<b>Computer Hardware</b>	<b>Computer Software</b>	<b>Total</b>
Balance at January 1, 2024	\$ 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)
<b>Balance on December 31, 2024</b>	<b>367,121</b>	<b>3,217,847</b>	<b>623,263</b>	<b>50,723</b>	<b>36,750</b>	<b>1,206,592</b>	<b>5,278,739</b>	<b>10,781,035</b>
Additions	219,503	4,016,472	-	-	339,000	37,516	-	4,612,491
Disposals and transfers	-	-	-	-	-	(21,587)	(5,278,739)	(5,300,326)
<b>Balance on December 31, 2025</b>	<b>\$ 586,624</b>	<b>\$ 7,234,319</b>	<b>\$ 623,263</b>	<b>\$ 50,723</b>	<b>\$ 375,750</b>	<b>\$ 1,222,520</b>	<b>\$ -</b>	<b>\$ 10,093,199</b>
<b>Accumulated depreciation</b>								
Balance at January 1, 2024	\$ -	\$ 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)
<b>Balance on December 31, 2024</b>	<b>-</b>	<b>1,044,165</b>	<b>463,267</b>	<b>34,492</b>	<b>31,239</b>	<b>934,780</b>	<b>2,111,496</b>	<b>4,619,439</b>
Depreciation and amortization expense	-	64,357	31,702	2,029	1,838	162,421	967,769	1,230,115
Disposals and transfers	-	-	-	-	-	(21,587)	(3,079,265)	(3,100,852)
<b>Balance on December 31, 2025</b>	<b>\$ -</b>	<b>\$ 1,108,522</b>	<b>\$ 494,969</b>	<b>\$ 36,521</b>	<b>\$ 33,077</b>	<b>\$ 1,075,614</b>	<b>\$ -</b>	<b>\$ 2,748,702</b>
<b>Net book value</b>								
December 31, 2024	\$ 367,121	\$ 2,173,682	\$ 159,996	\$ 16,231	\$ 5,511	\$ 271,812	\$ 3,167,243	\$ 6,161,596
<b>December 31, 2025</b>	<b>\$ 586,624</b>	<b>\$ 6,125,797</b>	<b>\$ 128,294</b>	<b>\$ 14,202</b>	<b>\$ 342,674</b>	<b>\$ 146,907</b>	<b>\$ -</b>	<b>\$ 7,344,498</b>

Buildings and parking lot includes assets that are not yet available for use as intended by management and therefore are not depreciated. The carrying amounts included are \$4,016,472 in buildings and \$339,000 in parking lot as at December 31, 2025.

Computer software costs of \$3,167,243 were transferred to other assets in the Consolidated Statement of Financial Position as the underlying arrangement represents a licensing agreement. The related expenses were recognized in information technology in the Consolidated Statement of Comprehensive Income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**11. INVESTMENT PROPERTY**

		<b>2025</b>
<b>Balance, beginning of the year</b>	\$	-
Additions		1,103,250
Changes in Fair Value		-
<b>Balance, end of the year</b>	\$	<b>1,103,250</b>

Rental income of \$16,575 and related expenses of \$8,140 were recognized in the Consolidated Statement of Comprehensive Income.

The fair value of the investment property is determined by market value defined as the highest price in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser. The investment property was purchased on March 12, 2025.

**12. INVESTMENT IN ASSOCIATE**

On December 31, 2025, the Company acquired an equal share, 33.33% of a private insurance brokerage with two unrelated parties. The Company exercises significant influence, but not control, through its representation on the Board of Directors and participation in policy-making decisions.

During 2025, the Company recognized their share of gain in the amount of \$nil.

**13. PENSION PLANS**

**a) Defined benefit pension plan**

The amount contributed to the defined contribution plan for 2025 was \$226,745 (2024 - \$216,281). 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 \$239,000 (2024 - \$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, 2024, showed a going-concern surplus position. The next actuarial valuation to be filed under the Pension Benefit Act will be as of December 31, 2027.

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 2025 was \$376,957 (2024 - \$292,975). Expected contributions to the plan for the next annual reporting period amount to \$406,000 (2024 - \$310,000), which is based on payments made to the plan during the current fiscal year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**14. 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:

	2025	2024
<b>Compensation</b>		
Salaries, benefits and directors' fees	\$ 1,573,645	\$ 1,000,067
Pension and other post-employment benefits	128,602	89,827
	<b>\$ 1,702,247</b>	<b>\$ 1,089,894</b>
Premiums written	\$ 198,371	\$ 170,898
Claims paid	\$ 81,080	\$ 103,703

Amounts owing from key management personnel at December 31, 2025 is \$25,101 (2024 - \$18,566). These amounts are included in insurance contract liabilities on the Consolidated Statement of Financial Position.

**15. 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 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.

**16. COMMITMENTS**

The Company entered into a contractual agreement for the construction of an office building. The total approved construction commitment amounts to \$7,858,140. As at December 31, 2025, no construction activity has commenced and no amounts have been recorded in the consolidated financial statements related to this contract.

**17. SUBSEQUENT EVENT**

The Company has signed a pre-amalgamation agreement with another mutual insurance company. The proposed amalgamation is subject to approval from each company's policyholders, regulatory approval by the Financial Services Regulatory Authority of Ontario (FSRA) and the consent of the company's partners: The Ontario Mutual Insurance Association (OMIA), Farm Mutual Reinsurance Plan Inc. (Farm Mutual Re), and the Trustees of the Fire Mutuals Guarantee Fund. Management has not yet determined the impact of the amalgamation on the consolidated financial statements.