GERMANIA
MUTUAL INSURANCE
SINCE 1878

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

GERMANIA MUTUAL INSURANCE SINCE 1878

DECEMBER 31, 2023
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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2023

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of Germania Mutual Insurance Company. The 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 Germania 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 financial statements. In addition, the Audit Committee meets periodically with financial officers of Germania 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 annual report in its entirety.

The accompanying financial statements have been audited by Graham Mathew Professional Corporation, authorized to practise 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 21, 2024 expresses their unmodified opinion on the Company's 2023 financial statements.

Daniel J Hill, CIP
President & CEO

Sharon Hollister, CPA
Chief Financial Officer

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Graham Mathew

INDEPENDENT AUDITORS' REPORT

To the Policyholders of
Germania Mutual Insurance Company

Opinion

We have audited the accompanying financial statements of **Germania Mutual Insurance Company** (the Company), which comprise the statement of financial position as at December 31, 2023, and the statements of comprehensive income, policyholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors 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.

Auditors’ Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

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

Graham Mathew Professional Corporation

Cambridge, Ontario
February 21, 2024

Chartered Professional Accountants, authorized to practise public accounting by the Chartered Professional Accountants of Ontario

FINANCIAL POSITION
DECEMBER 31, 2023

	2023 $	2022 $	As at January 1, 2022 $
ASSETS			
Cash and cash equivalents	**2,471,148**	4,892,732	6,099,022
Reinsurance contract assets (note 4)	**4,353,132**	4,469,413	9,894,052
Income taxes recoverable		932,100	702,782
Other assets	**440,361**	442,317	257,945
Current assets	**7,264,641**	10,736,562	16,953,801
Investments and accrued interest (note 8)	**43,068,396**	37,063,870	38,530,168
Goodwill and intangible assets (note 11)	**3,266,586**	4,025,863	747,271
Property, plant and equipment (note 11)	**2,432,307**	2,499,413	2,640,446
	56,031,930	54,325,708	58,871,686
LIABILITIES			
Accounts payable and accrued liabilities	**270,435**	167,486	208,381
Income taxes payable	**1,036,946**		
Deferred income taxes	**1,566,430**	1,726,430	191,460
Current liabilities	**2,873,811**	1,893,916	399,841
Liabilities of incurred claims (note 4)	**17,247,480**	17,911,641	25,016,816
Liabilities for remaining coverage	**2,905,851**	4,374,251	5,413,894
	23,027,142	24,179,808	30,830,551
POLICYHOLDERS' EQUITY			
Policyholders' equity (page 6)	**33,004,788**	30,145,900	28,041,135
	56,031,930	54,325,708	58,871,686

APPROVED BY THE BOARD:

Director

Director

The explanatory financial notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023

	2023 $	2022 $
Insurance revenue (note 5)	**33,541,569**	31,275,258
Insurance service expense (note 6)	**(27,113,325)**	(21,654,562)
Insurance service result before reinsurance	**6,428,244**	9,620,696
Net expenses from reinsurance contracts	**(3,125,713)**	(2,918,941)
Insurance service result	**3,302,531**	6,701,755
Investment income (loss) (note 9)	**3,051,580**	(2,854,765)
Finance income (expense) for insurance contracts issued	**(855,454)**	182,590
Finance income (expense) for reinsurance contracts held	**174,615**	(86,784)
Net insurance financial result	**5,673,272**	3,942,796
Other expenses (note 6)	**(1,931,051)**	(1,119,376)
Net income before income taxes	**3,742,221**	2,823,420
Income tax (expense) recovery		
Current (note 12)	**(1,043,333)**	816,315
Deferred	**160,000**	(1,534,970)
	(883,333)	(718,655)
Net income, being total comprehensive income for year	**2,858,888**	2,104,765

The explanatory financial notes form an integral part of these financial statements.

STATEMENT OF POLICYHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2023

	2023 **$**	2022 $
Balance at beginning of year	**30,145,900**	28,041,135
Net income, being total comprehensive income for year	**2,858,888**	2,104,765
Balance at end of year	**33,004,788**	30,145,900

The explanatory financial notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023 $	2022 $
Cash flows from operating activities:		
Net income, being total comprehensive income for year	**2,858,888**	2,104,765
Items not involving cash:		
Depreciation and amortization	**952,229**	350,199
Deferred income taxes	**(160,000)**	1,534,970
Unrealized losses (gains) on investments	**(1,717,468)**	3,765,640
	1,933,649	7,755,574
Net change in non-cash working capital balances relating to operations:		
Reinsurance contract assets	**116,281**	5,424,639
Other assets	**1,956**	(184,372)
Accounts payable and accrued liabilities	**102,945**	(40,895)
Liabilities for incurred claims	**(664,161)**	(7,105,175)
Liabilities for remaining coverage	**(1,468,400)**	(1,039,643)
Income taxes payable (recoverable)	**1,969,046**	(229,318)
	1,991,316	4,580,810
Cash flows from investment activities:		
Proceeds from sale of investments	**6,492,087**	4,640,633
Purchase of investments	**(10,457,981)**	(6,832,646)
Net additions to property, plant and equipment and intangible assets	**(125,846)**	(3,487,751)
Recognized gains on investments	**(315,349)**	(100,173)
Investment income	**(5,811)**	(7,163)
	(4,412,900)	(5,787,100)
Decrease in cash during year	**(2,421,584)**	(1,206,290)
Cash, beginning of year	**4,892,732**	6,099,022
Cash, end of year	**2,471,148**	4,892,732

The explanatory financial notes form an integral part of these financial statements.

1. Identification and Activities

(a) Reporting entity

Germania 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, and farmers' accident insurance in Ontario. The Company's head office is located at 403 Mary Street in Ayton (Municipality of West Grey), Ontario.

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

These financial statements have been authorized for issue by the Board of Directors on February 21, 2024.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

Changes in accounting policies and disclosures

In these financial statements, the Company has applied IFRS 17 for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after January 1, 2023.

The Company has restated comparative information for 2022. The nature of the changes in accounting policies can be summarized, as follows:

(i) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

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

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of presentation (continued)

IFRS 17 Insurance contracts (continued)

(i) Changes to classification and measurement (continued)

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

The Company's classification and measurement of insurance and reinsurance contracts is explained in note 2(b).

(ii) Changes to presentation and disclosure

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

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

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

The line-item descriptions in the statement of comprehensive income have been changed significantly compared with last year. Changes to the line-item descriptions include:

Under IFRS 4, the Company presented:	IFRS 17 requires separate presentation of:
Gross written premiums Changes in premium reserves Net insurance premium revenue	Insurance revenue
Gross claims expenses Commission income and expenses	Insurance service expenses
Reinsurer's share of claims and benefits incurred	Income or expenses from reinsurance contracts held
	Insurance finance income or expenses
	Reinsurance finance income or expense

(iii) Transition

On the transition date, January 1, 2022, the Company:

- Has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied,
- Derecognized any existing balances that would not exist had IFRS 17 always applied,
- Recognized any resulting net difference in equity.

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment

(i) Insurance and reinsurance contracts accounting classification

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

(ii) Separating components from insurance and reinsurance contracts

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

(iii) Levels of aggregation

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

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

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

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

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(iv) Recognition

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

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

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

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

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

(v) Contract boundary

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

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

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(vi) Measurement – Premium Allocation Approach

	IFRS 17 Options	*Adopted approach*
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Coverage period for all insurance 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 (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, 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 LFRC.	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, (LFIC) 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 LFIC resulting from changes in discount rates and present this in other comprehensive income.	For all contracts, the change in LFIC as a result of changes in discount rates will be captured within comprehensive income.

(vii) Insurance contracts – initial measurement

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

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

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

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(vii) Insurance contracts – initial measurement (continued)

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 comprehensive income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

(viii) Reinsurance contracts held – initial measurement

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

(ix) Insurance contracts – subsequent measurement

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

- Plus premiums received in the period,
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period for the group,
- 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 comprehensive income 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 comprehensive income (through insurance service expense).

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(x) Reinsurance contracts – subsequent measurement

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

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

(xi) Insurance acquisition cash flows

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

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

(xii) Insurance contracts – modification and derecognition

The Company derecognizes insurance contracts when:

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

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

(xiii) Presentation

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

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

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

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(xiv) Insurance revenue

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

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

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

(xv) Loss components

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

(xvi) Loss-recovery components

As described in note 2(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) Insurance finance income and expense

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

(xviii) Net income or expense from reinsurance contracts held

The Company does not separately present on the face of the 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 statement of comprehensive income.

2. Significant Accounting Policies (Continued)

(c) Structured settlements, Fire Mutuals Guarantee Fund and financial guarantee contracts

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

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

These exposures represent financial guarantee contracts. The Company accounts for financial guarantee contracts in accordance with IFRS 17, Insurance Contracts.

(d) Financial instruments

The Company measures its financial assets at fair value through profit or loss (FVTPL) because the Company's business model manages asset performance on a fair value basis.

Financial assets are initially measured at fair value, with attributable transaction costs recognized in comprehensive income.

Financial liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument, and are subsequently carried at cost using the effective interest rate method.

(e) Facility Association

As a member of the Facility Association, the Company records its proportionate share of the Association's revenue, expenses, unearned premiums and provision for unpaid claims.

(f) Income taxes

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

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

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

(g) Pension plan

The Company participates in a multi-employer defined benefit pension plan. However, sufficient information is not available to use defined benefit accounting. Therefore, the Company accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

3. Accounting Estimates and Judgements

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

(i) Insurance contracts

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

(a) Liability for remaining coverage

(i) Onerous groups

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

(ii) Time value of money

The company does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money or the effect of financial risk for any of its product lines.

(b) Liability for incurred claims

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

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly 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 projections are based.

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

3. Accounting Estimates and Judgements (Continued)

(ii) Insurance contracts (continued)

(b) Liability for incurred claims (continued)

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

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

(c) Discount rates

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

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

	1 year		3 years		5 years		10 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Insurance Contract Liabilities	4.52	4.41	3.70	3.97	3.53	3.86	3.77	4.08
Reinsurance Contract Assets	4.52	4.41	3.70	3.97	3.53	3.86	3.77	4.08

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

(d) Risk adjustment for non-financial risk

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed that in order to be indifferent to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) they require an additional amount equivalent to the 75th percentile level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in note 4.

4. Insurance Financial Risk Management

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

(a) Insurance risk

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

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

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

Amounts recoverable from 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 writes insurance primarily over a twelve month duration. The most significant risks arise through high severity, low frequency events such as natural disasters or catastrophes. A concentration of risk may arise from insurance contracts issued in a specific geographic location since all insurance contracts are written in Ontario.

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

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 $650,000 in the event of a property claim, an amount of $650,000 in the event of an automobile claim and $650,000 in the event of a liability claim. The Company also obtained reinsurance, which limits the Company's liability to $1,500,000 in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% of net earned premiums.

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

The following tables show the concentration of net insurance contract liabilities by type of contract:

	December 31, 2023			December 31, 2022		
	Gross Claims	**Reinsurance of Claims**	**Net Claims**	Gross Claims	Reinsurance of Claims	Net Claims
	$	**$**	**$**	$	$	$
Property	**4,797,123**	**1,061,603**	**3,735,520**	5,385,595	1,390,812	3,994,783
Liability	**4,487,385**	**869,566**	**3,617,819**	3,490,452	546,985	2,943,467
Automobile	**7,962,972**	**2,421,963**	**5,541,009**	9,035,594	2,531,616	6,503,978
	17,247,480	**4,353,132**	**12,894,348**	17,911,641	4,469,413	13,442,228

(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.

			2023			
		Change in assumptions	**Impact on profit before tax, gross of reinsurance**	**Impact on profit before tax, net of reinsurance**	**Impact on equity, gross of reinsurance**	**Impact on equity, net of reinsurance**
Expected loss	+	5 %	(727,916)	(635,672)	(535,019)	(467,219)
Inflation rate	+	3 %	(795,130)	(576,596)	(584,421)	(423,798)
Expected loss	-	5 %	727,916	635,672	535,019	467,219
Inflation rate	-	3 %	795,130	576,596	584,421	423,798

			2022			
		Change in assumptions	**Impact on profit before tax, gross of reinsurance**	**Impact on profit before tax, net of reinsurance**	**Impact on equity, gross of reinsurance**	**Impact on equity, net of reinsurance**
Expected loss	+	5 %	(533,334)	(456,901)	(392,000)	(335,822)
Inflation rate	+	3 %	(601,600)	(429,989)	(442,176)	(316,042)
Expected loss	-	5 %	533,334	456,901	392,000	335,822
Inflation rate	-	3 %	601,600	429,989	442,176	316,042

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development

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

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

		2023			2022		
	Note	**Estimates of the PVFCF**	**Risk adjustment**	**Total**	Estimates of the PVFCF	Risk adjustment	Total
Total gross liabilities for incurred claims	7(a)	16,458,665	788,815	17,247,480	17,522,136	389,505	17,911,641
Amounts recoverable from reinsurance	7(b)	4,162,481	190,651	4,353,132	4,345,720	123,693	4,469,413
Total net liabilities for incurred claims		12,296,184	598,164	12,894,348	13,176,416	265,812	13,442,228

* PVFCF refers to present value of future cash flows

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2023

	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	2023 $	Total $
End of insured event year	10,612,873	13,192,724	13,698,448	14,101,995	22,073,395	15,667,905	14,540,849	22,115,019	15,142,976	17,134,056	
One year later	8,591,477	12,498,710	13,317,592	12,722,962	19,643,259	13,856,510	13,725,259	20,027,988	14,779,977		
Two years later	8,301,790	11,495,722	13,731,855	11,846,707	18,365,631	14,224,115	11,859,463	19,576,640			
Three years later	7,743,096	10,895,546	13,297,327	11,265,519	18,069,800	14,005,456	11,113,086				
Four years later	7,650,807	10,819,054	13,018,306	11,439,530	18,187,647	13,619,808					
Five years later	7,667,784	10,746,182	12,962,918	11,500,880	18,141,026						
Six years later	7,669,784	9,991,205	12,922,006	11,670,454							
Seven years later	7,621,030	9,978,311	12,915,078								
Eight years later	7,673,799	9,977,824									
Nine years later	7,740,257										
Gross estimates of the undiscounted amount of the claims	7,740,257	9,977,824	12,915,078	11,670,454	18,141,026	13,619,808	11,113,086	19,576,640	14,779,977	17,134,056	136,668,206
Cumulative payments to date	7,192,914	9,977,824	12,915,078	10,033,405	17,366,988	11,814,078	10,699,451	17,985,392	11,579,033	9,618,718	119,182,881
Outstanding claims	547,343			1,637,049	774,038	1,805,730	413,635	1,591,248	3,200,944	7,515,338	17,485,325

Outstanding claims 2013 and prior	NIL
Effect of discounting	(247,185)
Facility Association and risk sharing pool	(25,496)
Other attributable expenses	34,836
Total gross liabilities for incurred claims	17,247,480

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2023

	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	2023 $	Total $
End of insured event year	9,130,071	11,000,294	11,435,751	12,153,442	14,218,253	13,691,264	12,683,545	15,128,465	13,440,154	15,249,174	
One year later	7,905,343	10,779,472	11,254,852	11,953,729	13,738,446	12,668,203	12,291,545	13,348,488	12,868,013		
Two years later	7,801,490	10,226,484	10,919,376	11,496,707	13,047,176	12,851,249	11,162,548	13,800,319			
Three years later	7,467,797	9,640,087	10,810,559	11,140,519	12,885,619	12,249,411	10,579,713				
Four years later	7,375,507	9,597,318	10,600,331	11,207,470	13,029,477	11,784,169					
Five years later	7,365,117	9,524,446	10,570,664	11,233,820	12,980,806						
Six years later	7,365,117	9,524,446	10,532,622	11,233,820							
Seven years later	7,316,364	9,511,552	10,525,694								
Eight years later	7,319,132	9,511,065									
Nine years later	7,325,632										
Net estimates of the undiscounted amount of the claims	7,325,632	9,511,065	10,525,694	11,233,820	12,980,806	11,784,169	10,579,713	13,800,319	12,868,013	15,249,174	115,858,405
Cumulative payments to date	7,179,784	9,511,065	10,525,694	10,033,405	12,295,252	10,579,187	10,200,078	12,698,195	10,290,053	9,496,848	102,809,561
Outstanding claims	145,848			1,200,415	685,554	1,204,982	379,635	1,102,124	2,577,960	5,752,326	13,048,844
Outstanding claims 2013 and prior											NIL
Effect of discounting											(163,836)
Facility Association and risk sharing pool											(25,496)
Other attributable expenses											34,836
Total net liabilities for incurred claims											12,894,348

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2022

	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
End of insured event year	9,826,191	10,612,873	13,192,724	13,698,448	14,101,995	22,073,395	15,667,905	14,540,849	22,115,019	15,142,976	
One year later	9,272,014	8,591,477	12,498,710	13,317,592	12,722,962	19,643,259	13,856,510	13,725,259	20,027,988		
Two years later	8,224,196	8,301,790	11,495,722	13,731,855	11,846,707	18,365,631	14,224,115	11,859,463			
Three years later	7,587,017	7,743,096	10,895,546	13,297,327	11,265,519	18,069,800	14,005,456				
Four years later	7,570,322	7,650,807	10,819,054	13,018,306	11,439,530	18,187,647					
Five years later	7,495,755	7,667,784	10,746,182	12,962,918	11,500,880						
Six years later	7,495,755	7,669,784	9,991,205	12,922,006							
Seven years later	7,495,755	7,621,030	9,978,311								
Eight years later	7,495,755	7,673,799									
Nine years later	7,495,755										
Gross estimates of the undiscounted amount of the claims	7,495,755	7,673,799	9,978,311	12,922,006	11,500,880	18,187,647	14,005,456	11,859,463	20,027,988	15,142,976	128,794,281
Cumulative payments to date	7,495,755	7,133,694	9,976,796	12,913,956	10,006,479	17,319,843	11,621,051	10,605,170	16,481,097	6,990,578	110,544,419
Outstanding claims	NIL	540,105	1,515	8,050	1,494,401	867,804	2,384,405	1,254,293	3,546,891	8,152,398	18,249,862
Outstanding claims 2012 and prior											24,810
Effect of discounting											(763,495)
Facility Association and risk sharing pool											(35,695)
Other attributable expenses											436,159
Total gross liabilities for incurred claims											17,911,641

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2022

	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
End of insured event year	8,341,540	9,130,071	11,000,294	11,435,751	12,153,442	14,218,253	13,691,264	12,683,545	15,128,465	13,440,154	
One year later	8,140,168	7,905,343	10,779,472	11,254,852	11,953,729	13,738,446	12,668,203	12,291,545	13,348,488		
Two years later	7,569,550	7,801,490	10,226,484	10,919,376	11,496,707	13,047,176	12,851,249	11,162,548			
Three years later	7,157,371	7,467,797	9,640,087	10,810,559	11,140,519	12,885,619	12,249,411				
Four years later	7,130,863	7,375,507	9,597,318	10,600,331	11,207,470	13,029,477					
Five years later	7,037,338	7,365,117	9,524,446	10,570,664	11,233,820						
Six years later	7,037,338	7,365,117	9,524,446	10,532,622							
Seven years later	7,037,338	7,316,364	9,511,552								
Eight years later	7,037,338	7,319,132									
Nine years later	7,037,338										
Net estimates of the undiscounted amount of the claims	7,037,338	7,319,132	9,511,552	10,532,622	11,233,820	13,029,477	12,249,411	11,162,548	13,348,488	13,440,154	108,864,542
Cumulative payments to date	7,037,338	7,120,564	9,510,037	10,524,572	10,006,479	12,248,344	10,386,160	10,104,766	11,382,751	6,990,578	95,311,589
Outstanding claims	NIL	198,568	1,515	8,050	1,227,341	781,133	1,863,251	1,057,782	1,965,737	6,449,576	13,552,953
Outstanding claims 2012 and prior											NIL
Effect of discounting											(511,188)
Facility Association and risk sharing pool											(35,695)
Other attributable expenses											436,158
Total net liabilities for incurred claims											13,442,228

4. Insurance Financial Risk Management (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.

Credit risk

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

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits, and general guidelines for geographic exposure. The bond portfolio remains very high quality with 88% (90% in 2022) of the bonds rated A or better. The Company's investment policy limits investment in government bonds of the various ratings to 20% to 90% and investments in corporate bonds to 5% to 75% of the Company's fixed income investments. Fixed income investments are to comprise 70% to 100% of the Company's total investment portfolio. Funds should be invested in bonds and debentures of Federal, Provincial or Municipal Governments and corporations rated BBB or better. BBB rated bonds are limited to a maximum of 20% of the fund. Investments in any one single issuer are not to exceed 15% of the fixed income portfolio for AAA/AA/A rated bonds and 10% for BBB rated bonds. These limits do not apply to all Federal bonds or Provincial bonds with a A- rating or higher. 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 credit-worthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management and the Board prior to renewal of the reinsurance contract.

Amounts receivable are short-term in nature consisting of a large number of policyholders, and are not subject to material credit risk. The Company applied judgment in its evaluation of the provision to consider flexible payment options provided. Regular review of outstanding receivables is performed to ensure credit worthiness.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

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

The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance contract assets. The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties:

	2023			
	A or better	**Less than A**	**Not rated**	**Total**
Financial assets - bonds	25,349,519	3,121,993	400,000	28,871,512
Reinsurance contract assets		4,353,132		4,353,132
	25,349,519	7,475,125	400,000	33,224,644

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Credit risk (continued)

	2022			
	A or better	**Less than A**	**Not rated**	**Total**
Financial assets - bonds	22,403,710	2,001,690	400,000	24,805,400
Reinsurance contract assets		4,469,413		4,469,413
	22,403,710	6,471,103	400,000	29,274,813

Concentrations of credit risk

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

(b) Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client, nor does it have material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

The Company’s investment policy requires that 2% to 20% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include treasury bills, commercial paper, money market funds and term deposits with an original maturity of less than one year.

There have been no significant changes from the previous period in the exposure to risk, nor significant changes in policies, procedures and methods used to measure the risk.

The maturity profile of the company's financial assets and financial liabilities (excluding equities which have no set maturity) 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.

		2023	
	Short-term	**Long-term**	**Total**
Insurance Assets			
Reinsurance contract assets	2,109,818	2,243,314	4,353,132
Financial Assets			
Cash and cash equivalents	2,471,148		2,471,148
Investments	1,909,324	29,637,812	31,547,136
	4,380,472	29,637,812	34,018,284
Insurance Contract Liabilities			
Liability for incurred claims	6,501,276	10,746,204	17,247,480
Liability for remaining coverage	2,905,851		2,905,851
	9,407,127	10,746,204	20,153,331
Financial liabilities			
Accounts payable and accrued liabilities	270,435		270,435
Deferred tax liability	177,286	1,389,144	1,566,430
Income taxes payable	1,036,946		1,036,946
	1,484,667	1,389,144	2,873,811
Net liquidity gap	(4,401,504)	19,745,778	15,344,274

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Liquidity risk (continued)

	2022		
	Short-term	**Long-term**	**Total**
Insurance Assets			
Reinsurance contract assets	2,543,060	1,926,353	4,469,413
Financial Assets			
Cash and cash equivalents	4,892,732		4,892,732
Investments	2,931,548	23,518,095	26,449,643
Income tax recoverable	932,100		932,100
	8,756,380	23,518,095	32,274,475
Insurance Contract Liabilities			
Liability for incurred claims	7,013,380	10,898,261	17,911,641
Liability for remaining coverage	4,360,369		4,360,369
	11,373,749	10,898,261	22,272,010
Financial liabilities			
Accounts payable and accrued liabilities	167,486		167,486
Deferred tax liability	177,286	1,549,144	1,726,430
	344,772	1,549,144	1,893,916
Net liquidity gap	(419,081)	12,997,043	12,577,962

Market risk

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

The Company's investment policy operates within the guidelines of the Ontario Insurance Act. An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 10% of market value of the equity portfolio.

i) Interest rate risk

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

The Company is exposed to this risk through its interest bearing investments, which include Banker Acceptance T-Bills, GICs, Money Market Funds and Bonds.

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used, in a broad sense, to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than its liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally, the Company's investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses in net income. There are no occurrences where interest would be charged on liabilities; therefore, little protection is needed to ensure the fair market value of assets will be offset by a similar change in liabilities due to an interest rate change.

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(i) Interest rate risk (continued)

The objective, policies and procedures for managing interest rate risk are to diversify the bond portfolio in such a way that the bond portfolio is laddered over a period of years. This protects the Company from fluctuations in the interest rates.

At December 31 2023, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by approximately $1,226,000 ($1,133,000 in 2021).

There have been no significant changes from the previous period in the exposure to risk, nor any significant changes to policies, procedures and methods used to measure the risk.

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

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. 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.

		2023		2022	
	Change in interest rate	**Effect on Net profit**	**Effect on Equity**	**Effect on Net profit**	**Effect on Equity**
Debt Instruments	+100 bps	(1,226,722)	(901,640)	(1,133,036)	(832,782)
Debt Instruments	- 100 bps	1,226,722	901,640	1,133,036	832,782

(i) 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 of Canadian, US and other stocks within its investment portfolio. At December 31, 2023, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's listed Canadian common equities of approximately $1,132,000 ($1,042,000 in 2022). This change would be recognized in the statement of comprehensive income.

The Company's investment policy limits investment in preferred shares to a maximum of 10% of the market value of the portfolio. The total investment in common shares cannot exceed 25% of total assets.

Equities are monitored by the board of directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

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

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

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Foreign currency risk

Foreign currency risk relates to the company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Company's principal transactions are carried out in Canadian dollars and its exposure to foreign exchange risk arises primarily with respect to the United States dollar. The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities.

The company's currency risk is related to stock holdings which are limited to United States and other country equities in sectors which are not readily available in Canada. The Company limits its holdings in US equity to 60% of the total equity portfolio and non-North American equity to 20% in accordance with its investment policy. Foreign currency changes are monitored by the Investment Committee and holdings are adjusted when offside of the investment policy. A 1% change in the value of the United States dollar would affect the fair value of stocks and cash by approximately $34,400, which would be reflected in the statement of comprehensive income.

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

5. Insurance Revenue

	2023	2022
	$	$
Gross premiums written	**35,158,378**	32,219,988
Reinsurance assumed	**52,401**	40,341
Increase in unearned premiums	**(1,741,304)**	(1,159,050)
Service fees & bad debts	**72,094**	173,979
	33,541,569	31,275,258

6. Insurance Service Expense

	2023	2022
Claims and benefits	16,895,385	12,099,810
Salaries, employee benefits and directors' fees	2,423,865	2,208,756
Professional fees (other than legal)	83,278	52,875
Legal fees	528	3,139
Commissions	6,625,598	6,305,341
Depreciation and amortization	681,758	269,199
Occupancy expenses (including rent, leasing and maintenance)	120,488	123,604
Information technology	1,321,256	884,739
Other general expenses	892,220	826,475
Total	29,044,376	22,773,938
Represented by:		
Insurance service expenses	27,113,325	21,654,562
General and operating expenses	1,931,051	1,119,376
Total	29,044,376	22,773,938

7. Insurance and Reinsurance Contracts

(a) Roll forward of net 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.

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	4,374,251		17,522,136	389,505	22,285,892
Insurance revenue	(33,541,569)				(33,541,569)
Insurance service expenses					
Incurred claims and other directly attributable expenses			17,609,620	297,002	17,906,622
Insurance acquisition cash flows amortization	10,217,942				10,217,942
Changes that relate to past service – adjustments to the liability for incurred claims			(1,113,546)	102,308	(1,011,238)
Insurance service result	(23,323,627)		16,496,074	399,310	(6,428,243)
Insurance finance expenses			855,454		855,454
Total changes in the statement of comprehensive income	(23,323,627)		17,351,528	399,310	(5,572,789)
Cash flows					
Premiums received	33,482,547				33,482,547
Claims and other directly attributable expenses paid			(18,414,999)		(18,414,999)
Insurance acquisition cash flows	(11,627,320)				(11,627,320)
Total cash flows	21,855,227		(18,414,999)		3,440,228
Insurance contract liabilities, end of year	2,905,851		16,458,665	788,815	20,153,331

* PVFCF refers to present value of future cash flows

7. Insurance and Reinsurance Contracts (Continued)

(a) **Roll forward of net liability for insurance contracts (continued)**

	2022				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	5,413,894		24,439,149	577,667	30,430,710
Insurance revenue	(31,275,258)				(31,275,258)
Insurance service expenses					
Incurred claims and other directly attributable expenses			15,170,918	176,378	15,347,296
Insurance acquisition cash flows amortization	8,453,004				8,453,004
Changes that relate to past service – adjustments to the liability for incurred claims			(1,772,974)	(364,540)	(2,137,514)
Insurance service result	(22,822,254)		13,397,944	(188,162)	(9,612,472)
Insurance finance expenses			(182,590)		(182,590)
Total changes in the statement of comprehensive income	(22,822,254)		13,215,354	(188,162)	(9,795,062)
Cash flows					
Premiums received	31,546,444				31,546,444
Claims and other directly attributable expenses paid			(20,132,367)		(20,132,367)
Insurance acquisition cash flows	(9,763,833)				(9,763,833)
Total cash flows	21,782,611		(20,132,367)		1,650,244
Insurance contract liabilities, end of year	4,374,251		17,522,136	389,505	22,285,892

*PVFCF refers to present value of future cash flows

7. Insurance and Reinsurance Contracts (Continued)

(b) **Reinsurance contracts**

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

	2023				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract assets (liabilities), beginning of year	**(298,775)**		**4,644,495**	**123,693**	**4,469,413**
Allocation of reinsurance premiums	**(4,959,923)**				**(4,959,923)**
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses			**2,065,101**	**86,185**	**2,151,286**
Changes to amounts recoverable for incurred claims			**(297,850)**	**(19,227)**	**(317,077)**
Net expenses from reinsurance contracts held	**(4,959,923)**		**1,767,251**	**66,958**	**(3,125,714)**
Reinsurance finance income			**174,615**		**174,615**
Total changes in the statement of comprehensive income	**(4,959,923)**		**1,941,866**	**66,958**	**(2,951,099)**
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	**4,920,349**				**4,920,349**
Amounts received			**(2,085,532)**		**(2,085,532)**
Total cash flows	**4,920,349**		**(2,085,532)**		**2,834,817**
Net reinsurance contract assets (liabilities), end of year	**(338,349)**		**4,500,829**	**190,651**	**4,353,131**

* PVFCF refers to present value of future cash flows

7. **Insurance and Reinsurance Contracts (Continued)**

(b) **Reinsurance contracts (continued)**

	2022				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract assets (liabilities), beginning of year	(241,953)		9,910,093	225,912	9,894,052
An allocation of reinsurance premiums	(4,424,362)				(4,424,362)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses			1,601,796	39,702	1,641,498
Changes to amounts recoverable for incurred claims			5,844	(141,921)	(136,077)
Net income (expenses) from reinsurance contracts held	(4,424,362)		1,607,640	(102,219)	(2,918,941)
Reinsurance finance income			(86,784)		(86,784)
Total changes in the statement of comprehensive income	(4,424,362)		1,520,856	(102,219)	(3,005,725)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	4,367,540				4,367,540
Amounts received			(6,786,454)		(6,786,454)
Total cash flows	4,367,540		(6,786,454)		(2,418,914)
Net reinsurance contract assets (liabilities), end of year	(298,775)		4,644,495	123,693	4,469,413

* PVFCF refers to present value of future cash flows

8. Investments

	2023		2022	
	Cost	**Fair value (Book value)**	Cost	Fair value (Book value)
	$	**$**	$	$
Money market funds	**432,470**	**432,470**	506,899	506,899
Bonds issued by:				
Federal	**8,421,610**	**7,688,017**	7,986,310	7,056,277
Provincial	**4,209,933**	**3,964,879**	3,172,696	2,826,816
Corporate				
A or better	**14,165,126**	**13,696,623**	13,629,012	12,520,617
B to BBB	**3,334,685**	**3,121,993**	2,285,758	2,001,690
Not rated	**400,000**	**400,000**	400,000	400,000
	30,531,354	**28,871,512**	27,473,776	24,805,400
Equity investments:				
Canadian	**4,431,256**	**5,635,154**	4,001,886	4,936,439
U.S.	**2,138,276**	**3,440,533**	2,459,821	3,415,108
International	**1,781,048**	**2,057,017**	1,759,389	1,907,730
Other	**138,160**	**189,969**	138,160	160,970
	8,488,740	**11,322,673**	8,359,256	10,420,247
Preferred shares	**170,965**	**148,138**	164,230	144,190
Other investments				
Loan receivable	**2,100,000**	**2,100,000**	1,000,000	1,000,000
Fire Mutual guarantee	**50,449**	**50,449**	49,790	49,790
Accrued interest	**143,154**	**143,154**	137,344	137,344
	2,293,603	**2,293,603**	1,187,134	1,187,134
	41,917,132	**43,068,396**	37,691,295	37,063,870

The effective investment yield for the year is 7.08% (-7.7% for 2022).

8. Investments (Continued)

The maximum exposure to credit risk would be the fair value indicated.

The bonds mature as follows:	**2023**	2022
	$	$
Within 1 year	**873,700**	2,087,304
Over 1 to 5 years	**15,841,770**	10,324,955
Over 5 years	**12,156,042**	12,393,141
	28,871,512	24,805,400

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

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

December 31, 2023	Level 1 $	Level 2 $	Level 3 $	**Total** **$**
Money market funds	432,470			**432,470**
Bonds		28,471,512	400,000	**28,871,512**
Equities	11,180,744		141,929	**11,322,673**
Preferred shares	148,138			**148,138**
Other investments and accrued interest		2,293,603		**2,293,603**
Total investments measured at fair value	11,761,352	30,765,115	541,929	**43,068,396**

December 31, 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Money market funds	506,899			506,899
Bonds		24,405,400	400,000	24,805,400
Equities	10,307,732		112,515	10,420,247
Preferred Shares	144,190			144,190
Other investments and accrued interest		1,187,134		1,187,134
Total investments measured at fair value	10,958,821	25,592,534	512,515	37,063,870

There were no transfers between Levels for the years ended December 31, 2023 and 2022.

	2023 $	2022 $
9. Investment Income		
Interest income	**959,179**	739,708
Dividend and other income	**222,610**	231,917
Realized gains on disposal of investments	**315,349**	100,173
Investment expenses	**(163,026)**	(160,923)
Unrealized gains (losses) on investments	**1,717,468**	(3,765,640)
	3,051,580	(2,854,765)

10. Pension Plan

The Company makes contributions on behalf of its employees to "The Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies", which is a defined benefit multi-employer pension plan.

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

The amount contributed to the plan for 2023 was $113,282 ($107,028 in 2022). The contributions were made for current service and these have been recognized in comprehensive income. These contributions amount to 1.50% (1.50% in 2022) of the total contributions made to the plan by all participating entities during the current fiscal year.

Expected contributions to the plan for the next annual reporting period amount to $120,000, which is based on payments made to the multi-employer plan during the current fiscal year.

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

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

The defined benefit pension plan has been closed to future eligible employees effective July 1, 2013. The Company and all current employees who are accruing benefits under the defined benefit plan will continue to contribute to the defined benefit plan according to the existing terms of the agreement. New and future eligible employees will become part of the defined contribution plan. The amount contributed to the defined contribution plan for 2023 was $102,001 ($80,855 in 2022). The contributions were made for current service, and these have been recognized in comprehensive income.

11. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided over the estimated useful lives of the assets, using the straight-line method.

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

Intangible assets consist of computer software, which are not integral to the computer hardware owned by the Company, goodwill, and customer lists.

Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of five years.

Customer lists are recorded at cost and are amortized on a straight-line basis over ten years.

Goodwill is deemed to have an indefinite life and is initially recorded at cost and subsequently measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually based on its value in use.

The depreciation and amortization expense in the amount of $952,229 ($350,199 in 2022) is allocated between insurance service expense and general and operating expenses in the statement of comprehensive income.

		2023		
	Depreciation rate	**Cost $**	**Accumulated Depreciation $**	**Net Book Value $**
Land		**306,796**		**306,796**
Buildings	**25 years**	**2,323,686**	**499,468**	**1,824,218**
Computer hardware	**5 years**	**122,272**	**114,120**	**8,152**
Furniture and fixtures	**5 to 25 years**	**432,774**	**362,550**	**70,224**
Parking lot	**25 years**	**201,133**	**31,731**	**169,402**
Vehicles	**3 years**	**95,506**	**41,991**	**53,515**
		3,482,167	**1,049,860**	**2,432,307**

		2022		
	Depreciation rate	Cost	Accumulated Depreciation	Net Book Value
Land		306,796		306,796
Buildings	25 years	2,323,686	446,521	1,877,165
Computer hardware	5 years	172,014	139,408	32,606
Furniture and fixtures	5 to 25 years	436,412	316,942	119,470
Parking lots	25 years	168,161	24,785	143,376
Vehicles	3 years	87,943	67,943	20,000
		3,495,012	995,599	2,499,413

11. Property, Plant and Equipment and Intangible Assets (Continued)

Intangible assets

		2023		
	Depreciation rate	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Computer software	**5 years**	**4,086,020**	**1,040,792**	**3,045,228**
Customer lists	**10 years**	**238,707**	**238,707**	**NIL**
Goodwill		**221,358**		**221,358**
		4,546,085	**1,279,499**	**3,266,586**

		2022		
	Depreciation rate	Cost	Accumulated Depreciation	Net Book Value
Computer software	5 years	4,113,578	314,283	3,799,295
Customer lists	10 years	238,707	233,497	5,210
Goodwill		221,358		221,358
Computer software under development				NIL
		4,573,643	547,780	4,025,863

The unamortized cost of property, plant and equipment and intangible assets available to reduce net income for income tax purposes amounts to approximately $1,966,000 ($2,067,000 in 2022).

12. Income Taxes

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (26.3% in 2022) are as follows:

	2023 $	2022 $
Comprehensive income before income taxes	**3,742,221**	2,823,420
Expected taxes based on the statutory rate of 26.5% (26.3% in 2022)	**991,689**	742,559
Difference between depreciation and capital cost allowance	**197,157**	(989,419)
Canadian dividend income not subject to tax	**(44,368)**	(33,852)
Effect of loss carryforward	**(49,009)**	
Net effect of accounting policy changes		(525,971)
Claims reserves timing differences	**(24,466)**	(14,902)
Other permanent differences	**17,201**	5,270
Under provision in prior years	**6,387**	
Effect of small business deduction	**(51,258)**	
Total income tax expense (recovery)	**1,043,333**	(816,315)

13. Salaries, Benefits and Directors Fees

Underwriter salaries and benefits	**1,132,889**	1,005,968
Other salaries, benefits and directors fees	**1,474,636**	1,202,788
	2,607,525	2,208,756

Included in claims expenses were salary and benefit costs of $778,230 ($688,102 in 2022).

14. Related Party Transactions

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

	2023	2022
	$	$
Compensation		
Salaries, benefits and director's fees	**671,203**	617,231
Total pension and other post-employment benefits	**106,202**	89,916
	777,405	707,147
Premiums	**61,363**	62,789
Claims paid	**303**	NIL

Amounts owing to and from key management personnel at December 31, 2023 are $NIL ($NIL in 2022) and $15,809 ($14,396 in 2022) respectively. The amounts are included in due from policyholders and accounts payable and accrued liabilities on the statement of financial position.

15. Capital Management

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

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

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