Usborne & Hibbert
Mutual Fire Insurance Company

FINANCIAL STATEMENTS

DECEMBER 31, 2023

Famme & Co.
Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS

FRANKLIN H. FAMME, BBA, CMgr, CPA, CA
BRADLEY J. W. McNEIL, BA, MAcc, CPA, CA
STEPHEN VAN DEN HENGEL, BAcc, CPA, CA
PETER D. BRICKMAN, BA, CPA, CA
STEPHEN J. WARD, BA, MAcc, CPA, CA
LYNN EIDT, BBA, CPA, CA
MICHAEL P. B. JAREMCHENKO, BA, CFP, CPA, CA
PHILLIP W. HART, BMath, MAcc, CPA, CA
JUDD R. ATTRIDGE, BAcc, CPA, CA
STACEY A. CAMPBELL, BBA, CPA, CA
BRADLEY YPMA, BA, CPA, CA
TINA M. GROENESTEGE, BBA, CPA
ASHLEY VAN DORP, BBA, CPA, CA

125 ONTARIO STREET
STRATFORD, ONTARIO N5A 3H1

STRATFORD 519-271-7581
FAX 519-271-2737
LONDON 519-432-1663
FAX 519-432-7662
ST. MARYS 519-284-1030
FAX 519-284-4393

E-MAIL: office@fammeandco.on.ca
WEBSITE: www.fammeandco.on.ca

INDEPENDENT AUDITORS' REPORT

To the Policyholders of
Usborne & Hibbert Mutual Fire Insurance Company
Exeter, Ontario

Opinion

We have audited the financial statements of **Usborne & Hibbert Mutual Fire Insurance Company**, which comprise the statement of financial position as at **December 31, 2023** and the statements of comprehensive income, members' surplus 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 **Usborne & Hibbert Mutual Fire Insurance 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of **Usborne & Hibbert Mutual Fire Insurance 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the 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 entity'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 entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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. 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:

(a) 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.

(b) 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 entity's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of the entity'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 entity'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 entity to cease to continue as a going concern.

(e) 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.

INDEPENDENT AUDITORS' REPORT - continued

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Tamme & Co.

Professional Corporation
Chartered Professional Accountants
Authorized to practice public accounting by
the Chartered Professional Accountants of Ontario

Stratford, Ontario
February 20, 2024

Usborne & Hibbert Mutual Fire Insurance Company
Statement of Financial Position
As at December 31, 2023

ASSETS

	2023	2022	As at January 1, 2022
Assets			
Cash	**$ 7,160,206**	$ 5,358,458	$ 5,216,270
Investments (Note 6)	**40,251,301**	38,612,997	39,251,024
Accrued investment interest	**281,024**	224,672	169,564
Reinsurance contract asset (Note 10)	**3,034,069**	1,830,444	2,691,561
Other assets	**58,260**	44,516	47,908
Income taxes receivable (Note 12)	**-**	243,664	-
Property, plant and equipment - net of depreciation (Note 8)	**1,794,131**	1,914,461	2,011,124
	$ 52,578,991	$ 48,229,212	$ 49,387,451

LIABILITIES AND MEMBERS' SURPLUS

	2023	2022	As at January 1, 2022
Liabilities			
Accounts payable	**178,738**	181,565	194,902
Liability for remaining coverage (Note 10)	**2,640,039**	2,988,322	2,576,149
Liability for incurred claims (Note 10)	**9,281,374**	6,541,955	8,011,419
Refund from surplus payable	**496,616**	449,751	906,742
Deferred income taxes (Note 12)	**367,746**	432,767	412,324
Income taxes payable (Note 12)	**301,144**	-	420,469
	13,265,657	10,594,360	12,522,005
Members' Surplus	**39,313,334**	37,634,852	36,865,446
	$ 52,578,991	$ 48,229,212	$ 49,387,451

Approved on Behalf of the Board:

Director

Director

(See Accompanying Notes to the Financial Statements)

Usborne & Hibbert Mutual Fire Insurance Company
Statement of Members' Surplus
For the year ended December 31, 2023

		2023	2022
Balance - beginning of year	**$ 37,634,852**		$ 36,562,673
Impact of initial application of IFRS 17	**-**		302,773
Restated balance	**37,634,852**		36,865,446
Net income for the year	**1,678,482**		769,406
Balance - end of year		**$ 39,313,334**	$ 37,634,852

(See Accompanying Notes to the Financial Statements)

Usborne & Hibbert Mutual Fire Insurance Company
Statement of Comprehensive Income
For the year ended December 31, 2023

		2023		2022
Insurance revenue	$ 14,502,949			$ 12,557,085
Insurance service expenses (Note 9)	12,744,031			7,850,245
Insurance service result before reinsurance contracts held		$ 1,758,918		4,706,840
Net income (expense) from reinsurance contracts held		(1,009,603)		(1,233,104)
Insurance service result		749,315		3,473,736
Total investment income (expense) (Note 7)		2,748,038		(1,299,667)
Insurance finance income (expense) for insurance contracts issued	(237,469)		(5,029)	
Reinsurance finance income for reinsurance contracts held	61,679		4,005	
		(175,790)		(1,024)
Net insurance financial result		2,572,248		(1,300,691)
Other income and expenses				
General and operating expenses (Note 9)	(775,504)		(795,965)	
Refund from surplus	(497,160)		(447,674)	
		(1,272,664)		(1,243,639)
Income before income taxes		2,048,899		929,406
Provision for income taxes (Note 12)		370,417		160,000
Net income for the year		$ 1,678,482		$ 769,406

(See Accompanying Notes to the Financial Statements)

Usborne & Hibbert Mutual Fire Insurance Company
Statement of Cash Flows
For the year ended December 31, 2023

		2023		2022
Operating Activities				
Comprehensive income for the year	$ 1,678,482		$ 769,406	
Deferred income taxes	(65,021)		20,443	
Provision for income taxes	435,438		139,557	
Investment income	(1,195,451)		(880,895)	
	853,448		48,511	
Adjustments to convert income to a cash basis:				
Increase (decrease) in liability for remaining coverage	(348,283)		412,173	
Increase (decrease) in liability for incurred claims	2,739,419		(1,469,464)	
Increase (decrease) in payables	44,038		(470,328)	
Increase (decrease) in income taxes payable	301,144		(420,469)	
Depreciation of property, plant and equipment	148,830		136,769	
Decrease (increase) in income taxes receivable	243,664		(243,664)	
Decrease (increase) in other assets	(13,744)		3,392	
Decrease (increase) in accrued investment interest	(56,352)		(55,108)	
Decrease (increase) in reinsurance contract asset	(1,203,625)		861,118	
Realized (gain) loss on sale of investments	203,111		115,690	
Market value (appreciation) depreciation on investments	(1,755,698)		2,064,872	
		$ 1,155,952		983,492
Investing Activities				
Proceeds from sale of investments	28,484,703		35,217,490	
Purchase of investments	(28,570,420)		(36,760,026)	
Investment income received	1,195,451		880,895	
Income taxes recovered (paid)	(435,438)		(139,557)	
Purchase of property, plant and equipment	(28,500)		(40,106)	
		645,796		(841,304)
Excess of cash provided over cash applied		1,801,748		142,188
Cash - beginning of year		5,358,458		5,216,270
Cash - end of year		$ 7,160,206		$ 5,358,458

Cash consists of cash on hand and balances with banks.

(See Accompanying Notes to the Financial Statements)

1. Nature of Operations of Reporting Entity

Usborne & Hibbert Mutual Fire 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, farmers' accident and auto insurance in Ontario. The Company's head office is located in Exeter, 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 by the Farm Mutual Reinsurance Plan Inc. 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 20, 2024.

2. Basis of Presentation

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

These financial statements were prepared under the historical cost convention, as modified by the revaluation of financial instruments designated as fair value through profit and loss and the revaluation of land and buildings included in property, plant and equipment.

The Company's functional and presentation currency is the Canadian dollar. The financial statements are presented in Canadian dollars.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Significant Accounting Policies

(a) Insurance Contracts

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.

3. Significant Accounting Policies (continued)

(a) Insurance Contracts (continued)

IFRS 17 Insurance Contracts

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

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 3(b).

3. Significant Accounting Policies (continued)

(a) Insurance Contracts (continued)

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; and

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 profit or loss and other comprehensive income have been changed significantly compared with last year. Changes to the line-item descriptions include:

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

iii. Transition

On 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; and
- Recognized any resulting net difference in equity.

3. 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, and auto. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

ii. Separating components from insurance and reinsurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract.

Currently, the Company's products do not include any distinct components that require separation.

iii. Levels of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The 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; and
- Environmental factors, e.g., a change in market experience or regulations.

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

3. 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; and
- 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. 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 OCI.	For all contracts, the change in LFIC as a result of changes in discount rates will be captured within profit or loss.

vii. Insurance contracts - initial measurement

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

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

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

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

viii. Reinsurance contracts held - initial measurement

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

ix. Insurance contracts - subsequent measurement

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

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

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

3. Significant Accounting Policies (continued)

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

ix. Insurance contracts - subsequent measurement (continued)

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

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

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.

3. Significant Accounting Policies (continued)

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

xii. Insurance contracts - modification and derecognition (continued)

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.

xiv. Insurance revenue

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

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

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

xv. Loss components

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

3. Significant Accounting Policies (continued)

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

xvi. Loss-recovery components

As described in Note 3(b)(xv), 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 profit or loss each period.

xviii. Net income or expense from reinsurance contracts held

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

(c) Fire Mutuals Guarantee Fund and Financial Guarantee Contracts

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.

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

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits at call with banks and other short-term highly liquid investments with original maturities of three months or less. For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts.

(e) Financial Instruments

The Company classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

3. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

i. Fair value through profit and loss financial assets (FVTPL)

Financial assets at fair value through profit and loss investments are financial assets that are quoted in an active market and are being actively traded. Any increase or decrease in the market value is shown in the current year on the Statement of Comprehensive Income as market value appreciation (depreciation) of investments. Term deposits, shares in listed and unlisted companies and bonds principally comprise these investments. The quoted market price was used to determine the fair value of these investments. Transaction costs on these investments are expensed as incurred. Interest on debt securities classified as fair value through profit and loss is calculated using the effective interest method.

ii. Amortized cost

This category includes interest receivable, premiums receivable, promissory notes receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

(f) Property, Plant and Equipment

Land and buildings are subsequently measured using the revaluation model and, as such, are measured at a revalued amount, being its fair value at the date of the revaluation (November 15, 2022) less accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. When buildings are revalued and there is a material difference between the carrying amount and the fair value, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to fair value at the date of the revaluation. Revaluation gains are recognized in equity. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

Office equipment and computers are initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized in net income and is provided at the following annual rates:

Buildings	4% straight-line
Parking lot	7% straight-line
Office equipment	10% straight-line
Computers	20% straight-line

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

3. Significant Accounting Policies (continued)

(g) Impairment of Non-Financial Assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows. Impairment charges are included in net income.

(h) 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.

(i) 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 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, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

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

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

3. Significant Accounting Policies (continued)

(j) 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.

(k) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal, equitable or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(l) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year end date and the related translation differences are recognized in net income. Exchange rate gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

(m) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

4. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) 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.

Liability for remaining coverage

i. Onerous groups

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

ii. Time value of money

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

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.

4. Critical Accounting Estimates and Judgements (continued)

(a) Insurance Contracts (continued)

Liability for incurred claims (continued)

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.

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.

Discount rates

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

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

	1 year		**3 years**		**5 years**		**Over 5 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 15(a).

4. Critical Accounting Estimates and Judgements (continued)

(a) Insurance contracts (continued)

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 65-75 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 65-75 precentile 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 15(a).

(b) Impairment of Investments

The Company determines that its investments are impaired when there has been a significant or prolonged decline in fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Company considers, among other factors, the normal volatility in market price, the financial health of the investee and industry and sector performance.

(c) Income Taxes

The Company periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

5. Financial Instrument Classification

The carrying amount of the Company's financial instruments by classification is as follows:

	FVTPL	Assets at Amortized Cost	Liabilities at Amortized Cost	Total
December 31, 2023				
Cash	$ 7,160,206	$ -	$ -	$ 7,160,206
Interest receivable	-	281,024	-	281,024
Investments (Note 6)	40,181,691	69,610	-	40,251,301
Accounts payable and accrued liabilities	-	-	(178,738)	(178,738)
	$ 47,341,897	$ 350,634	$ (178,738)	$ 47,513,793
December 31, 2022				
Cash	5,358,458	-	-	5,358,458
Interest receivable	-	224,672	-	224,672
Investments (Note 6)	38,546,282	66,715	-	38,612,997
Accounts payable and accrued liabilities	-	-	(181,565)	(181,565)
	$ 43,904,740	$ 291,387	$ (181,565)	$ 44,014,562

Usborne & Hibbert Mutual Fire Insurance Company
Notes to the Financial Statements
For the year ended December 31, 2023

6. Investments

The following table provides cost and fair value information of investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as shown below.

	December 31, 2023		December 31, 2022	
	Cost	**Fair Value**	Cost	Fair Value
Bonds issued by:				
Federal	**$ 846,811**	**$ 838,892**	$ 5,974,993	$ 5,959,958
Provincial	**9,883,627**	**9,665,263**	10,169,906	9,591,813
Municipal	**48,234**	**48,597**	252,087	246,769
Corporate	**14,216,015**	**13,651,593**	13,185,161	12,104,084
	24,994,687	**24,204,345**	29,582,147	27,902,624
Equity investments				
Canadian	**3,573,614**	**4,344,239**	2,506,596	3,193,929
U.S.	**5,392,890**	**7,037,315**	2,392,974	3,629,280
	8,966,504	**11,381,554**	4,899,570	6,823,209
GIC's	**2,100,000**	**2,104,777**	1,700,000	1,702,251
Other investments				
Demand loan	**69,610**	**69,610**	66,715	66,715
Fire Mutuals Guarantee Fund	**18,247**	**18,247**	18,008	18,008
Collectivfide equity	**1,333,000**	**1,797,768**	1,333,000	1,425,190
Collectivfide bonds	**675,000**	**675,000**	675,000	675,000
	2,095,857	**2,560,625**	2,092,723	2,184,913
Total investments	**$ 38,157,048**	**$ 40,251,301**	$ 38,274,440	$ 38,612,997

6. Investments (continued)

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

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities 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).

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Bonds				
Federal	$ -	$ 838,892	$ -	$ 838,892
Provincial	-	9,665,263	-	9,665,263
Municipal	-	48,597	-	48,597
Other	-	-	-	-
Corporate	-	13,651,593	-	13,651,593
Equity investments				
Canadian	4,344,239	-	-	4,344,239
U.S.	7,037,315	-	-	7,037,315
GIC's	2,104,777	-	-	2,104,777
Demand loan	-	69,610	-	69,610
Fire Mutuals				
Guarantee Fund	-	-	18,247	18,247
Collectivfide equity	-	-	1,797,768	1,797,768
Collectivfide bonds	-	-	675,000	675,000
	$ 13,486,331	$ 24,273,955	$ 2,491,015	$ 40,251,301

6. Investments (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Bonds				
Federal	$ -	$ 5,959,958	$ -	$ 5,959,958
Provincial	-	9,591,813	-	9,591,813
Municipal	-	246,769	-	246,769
Other	-	-	-	-
Corporate	-	12,104,084	-	12,104,084
Equity investments				
Canadian	3,193,929	-	-	3,193,929
U.S.	3,629,280	-	-	3,629,280
GIC's	1,702,251	-	-	1,702,251
Demand loan	-	66,715	-	66,715
Fire Mutuals				
Guarantee Fund	-	-	18,008	18,008
Collectivfide equity	-	-	1,425,190	1,425,190
Collectivfide bonds	-	-	675,000	675,000
	$ 8,525,460	$ 27,969,339	$ 2,118,198	$ 38,612,997

6. Investments (continued)

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022. The following table presents a reconciliation of the other investments which are the only Level 3 investments:

	2023	2022
Balance - beginning of year	**$ 2,118,198**	$ 1,082,170
Gains recognized in net income	**372,817**	36,028
Purchases	**-**	1,000,000
Balance - end of year	**$ 2,491,015**	$ 2,118,198

For the Level 3 investments in the Fire Mutual Guarantee Fund, fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value, an earnings growth factor of 2.1% and a risk adjusted discount factor of 1.9% are used. If these inputs to the valuation model were 1.0% higher or lower, while all the other variables were held constant, the carrying amount of the shares would be affected by $ 100.

The fair value of the Collectivfide equity is based on the valuation of the company as provided by the management of Collectivfide. Due to the use of unobservable data and their limited liquidity, this investment is classified as Level 3. During the year, the company held bonds from Collectivfide, a private corporation. The bonds are held privately and a fair value is not available. Due to the use of unobservable data and their limited liquidity, this investment is classified as Level 3.

The company has determined that no investments have incurred a significant or prolonged decline in their fair value, which constitutes objective evidence of impairment. As a result, an impairment loss of $ nil has been recognized in net income for the year ended December 31, 2023 (2022 - $ nil). Interest income on the impaired financial assets was $ nil (2022 - $ nil).

Maturity profile of bonds held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	No fixed	Total
December 31, 2023						
Bonds - FVTPL	$ 3,219,137	$ 16,074,267	$ 4,185,243	$ 725,698	$ -	$ 24,204,345
Equity investments	-	-	-	-	11,381,554	11,381,554
GIC's	1,804,777	300,000	-	-	-	2,104,777
Demand loan	-	-	-	-	69,610	69,610
Fire Mutual Guarantee Fund	-	-	-	-	18,247	18,247
Collecivfide shares	-	-	-	-	1,797,768	1,797,768
Collecivfide bonds	-	375,000	-	300,000	-	675,000
	$ 5,023,914	$ 16,749,267	$ 4,185,243	$ 1,025,698	$ 13,267,179	$ 40,251,301
Percentage of total	12 %	42 %	10 %	3 %	33 %	100 %
December 31, 2022						
Bonds - FVTPL	11,919,537	14,228,573	1,548,540	205,974	-	27,902,624
Equity investments	-	-	-	-	6,823,209	6,823,209
GIC's	1,400,000	302,251	-	-	-	1,702,251
Demand loan	-	-	-	-	66,715	66,715
Fire Mutual Guarantee Fund	-	-	-	-	18,008	18,008
Collecivfide shares	-	-	-	-	1,425,190	1,425,190
Collecivfide bonds	-	375,000	-	300,000	-	675,000
	$ 13,319,537	$ 14,905,824	$ 1,548,540	$ 505,974	$ 8,333,122	$ 38,612,997
Percentage of total	33 %	39 %	4 %	1 %	23 %	100 %

6. Investments (continued)

Comparative figures show bonds and debentures at their carrying value as on the balance sheet. See the chart at the beginning of Note 6 for cost and fair values.

Shares, mutual funds and the Fire Mutuals Guarantee Fund have no specific maturity. The effective interest rate of the bonds portfolio held is 4.38% and 5.04% at December 31, 2023 and 2022, respectively.

7. Investment Income

2023	**FVTPL**	**Other**	**Total**
Interest income	$ 1,137,097	$ -	$ 1,137,097
Dividend and other income	229,792	-	229,792
Investment expense	(171,438)	-	(171,438)
Net realized gains (losses)	(203,111)	-	(203,111)
Change in unrealized gains	1,755,698	-	1,755,698
Investment and other income	$ 2,748,038	$ -	$ 2,748,038

2022	**FVTPL**	**Other**	**Total**
Interest income	788,587	-	788,587
Dividend and other income	258,858	-	258,858
Investment expense	(166,550)	-	(166,550)
Net realized gains (losses)	(115,690)	-	(115,690)
Change in unrealized gains (losses)	(2,064,872)	-	(2,064,872)
Investment and other income (loss)	$(1,299,667)	$ -	$(1,299,667)

For the year ended December 31, 2023, the Company has determined that no investments have incurred a significant or prolonged decline in their fair value, which constitutes objective evidence of impairment. As a result, an impairment loss of $ nil (2022 - $ nil) has been recognized in net income. Dividend income on the impaired financial assets was $ nil (2022 - $ nil).

8. Property, Plant and Equipment

	Land	Land Improvements	Buildings	Parking Lot	Office Equipment	Computers	Total
Cost							
Balance at January 1, 2022	$ 124,131	$ 31,766	$ 1,947,415	$ 143,512	$ 341,593	$ 89,839	$ 2,678,256
Additions	-	-	9,813	-	4,232	26,061	40,106
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2022	124,131	31,766	1,957,228	143,512	345,825	115,900	2,718,362
Additions	-	-	1,537	-	10,708	16,255	28,500
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2023	$ 124,131	$ 31,766	$ 1,958,765	$ 143,512	$ 356,533	$ 132,155	$ 2,746,862
Accumulated Depreciation							
Balance at January 1, 2022	-	10,933	389,330	47,836	147,611	71,422	667,132
Depreciation expense	-	2,733	78,067	9,567	34,189	12,213	136,769
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2022	-	13,666	467,397	57,403	181,800	83,635	803,901
Depreciation expense	-	2,733	78,289	10,046	34,582	23,180	148,830
Disposals	-	-	-	-	-	-	-
Balance at December 31, 2023	$ -	$ 16,399	$ 545,686	$ 67,449	$ 216,382	$ 106,815	$ 952,731
Net book value							
December 31, 2022	$ 124,131	$ 18,100	$ 1,489,831	$ 86,109	$ 164,025	$ 32,265	$ 1,914,461
December 31, 2023	$ 124,131	$ 15,367	$ 1,413,079	$ 76,063	$ 140,151	$ 25,340	$ 1,794,131

The Company's land and building at 507 Main Street South, Exeter, Ontario were last valued at November 15, 2022. Land and buildings were subject to an external valuation performed by L.L. Otto of Otto & Company, a qualified professional valuer adhering to the generally accepted Standards of Professional Practice (CUSPAP) and the Code of Ethics of the Appraisal Institute of Canada. The fair value of the land and buildings is determined by discounting the expected cash flows of the properties based upon internal plans and assumptions and comparable market transactions. Had land and buildings not been accounted for using the revaluation model, on a historical cost basis, their net book values would have been $ 139,498 and $ 1,489,140 (2022 - $ 142,231 and $ 1,575,938).

9. Insurance service expense

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

	2023	2022
Claims and benefits	$ 8,003,895	$ 3,943,261
Salaries and employee benefits	1,279,041	1,279,432
Professional fees (other than legal)	108,458	105,294
Legal fees	22,055	18,421
Commissions	2,120,017	1,835,570
Depreciation and amortization	148,830	136,769
Occupancy expenses	81,637	84,818
Information technology	522,270	480,756
Other general expenses	1,233,332	761,889
Total	$ 13,519,535	$ 8,646,210
Represented by:		
Insurance service expenses	12,744,031	7,850,245
General and operating expenses	775,504	795,965
Total	$ 13,519,535	$ 8,646,210

10. Insurance and reinsurance contracts

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

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

	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	$ 2,988,322	$ -	$ 6,423,325	$ 118,630	$ 9,530,277
Insurance revenue	(14,502,949)	-	-	-	(14,502,949)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	7,360,052	366,088	7,726,140
Insurance acquisition cash flows amortization	3,230,048	-	-	-	3,230,048
Changes that relate to past service - adjustments to the LIC	-	-	1,375,942	411,901	1,787,843
Total insurance service expense	3,230,048	-	8,735,994	777,989	12,744,031
Insurance service result	(11,272,901)	-	8,735,994	777,989	(1,758,918)
Insurance finance expenses	-	-	237,469	-	237,469
Total change in the statement of comprehensive income	(11,272,901)	-	8,973,463	777,989	(1,521,449)
Cash flows					
Premiums received	14,836,937	-	-	-	14,836,937
Claims and other directly attributable expenses paid	-	-	(7,012,033)	-	(7,012,033)
Insurance acquisition cash flows	(3,912,319)	-	-	-	(3,912,319)
Total cash flows	10,924,618	-	(7,012,033)	-	3,912,585
Insurance contract liabilities - end of year	$ 2,640,039	$ -	$ 8,384,755	$ 896,619	$ 11,921,413

* PVFCF refers to present value of future cash flows

10. Insurance and reinsurance contracts (continued)

a) Roll forward of net asset or 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	$ 2,576,149	$ -	$ 7,822,330	$ 189,089	$ 10,587,568
Insurance revenue	(12,557,085)	-	-	-	(12,557,085)
Insurance service expenses					
Incurred claims and other directly attributable expenses	-	-	7,701,697	58,374	7,760,071
Insurance acquisition cash flows amortization	2,202,669	-	-	-	2,202,669
Changes that relate to past service - adjustments to the LIC	-	-	(1,952,797)	(128,833)	(2,081,630)
Total insurance service expense	2,202,669	-	5,748,900	(70,459)	7,881,110
Insurance service result	(10,354,416)	-	5,748,900	(70,459)	(4,675,975)
Insurance finance expenses	-	-	5,029	-	5,029
Total change in the statement of comprehensive income	(10,354,416)	-	5,753,929	(70,459)	(4,670,946)
Cash flows					
Premiums received	13,166,834	-	-	-	13,166,834
Claims and other directly attributable expenses paid	-	-	(7,152,934)	-	(7,152,934)
Insurance acquisition cash flows	(2,400,245)	-	-	-	(2,400,245)
Total cash flows	10,766,589	-	(7,152,934)	-	3,613,655
Insurance contract liabilities - end of year	$ 2,988,322	$ -	$ 6,423,325	$ 118,630	$ 9,530,277

* PVFCF refers to present value of future cash flows

10. Insurance and reinsurance contracts (continued)

b) Roll forward of net asset or liability for reinsurance contracts

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

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract assets - beginning of year	$ (261,748)	$ -	$ 2,055,732	$ 36,460	$ 1,830,444
Allocation of reinsurance premiums	(3,094,538)	-	-	-	(3,094,538)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses	-	-	885,293	101,494	986,787
Changes to amounts recoverable for incurred claims	-	-	828,066	270,082	1,098,148
Net income (expense) from reinsurance contracts held	(3,094,538)	-	1,713,359	371,576	(1,009,603)
Reinsurance finance income	-	-	61,679	-	61,679
Total change in the statement of comprehensive income	(3,094,538)	-	1,775,038	371,576	(947,924)
Cash flows					
Premiums paid	2,968,626	-	-	-	2,968,626
Amounts received	-	-	(817,077)	-	(817,077)
Total cash flows	2,968,626	-	(817,077)	-	2,151,549
Reinsurance contract assets - end of year	$ (387,660)	$ -	$ 3,013,693	$ 408,036	$ 3,034,069

* PVFCF refers to present value of future cash flows

10. Insurance and reinsurance contracts (continued)

b) Roll forward of net asset or liability for reinsurance contracts (continued)

	2022				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of PVFCF***	**Risk adjustments**	**Total**
Reinsurance contract assets - beginning of year	$ (205,585)	$ -	$ 2,835,656	$ 61,490	$ 2,691,561
Allocation of reinsurance premiums	(2,334,163)	-	-	-	(2,334,163)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses	-	-	1,718,533	24,427	1,742,960
Changes to amounts recoverable for incurred claims	-	-	(592,444)	(49,457)	(641,901)
Net income (expense) from reinsurance contracts held	(2,334,163)	-	1,126,089	(25,030)	(1,233,104)
Reinsurance finance income	-	-	4,005	-	4,005
Total change in the statement of comprehensive income	(2,334,163)	-	1,130,094	(25,030)	(1,229,099)
Cash flows					
Premiums paid	2,278,000	-	-	-	2,278,000
Amounts received	-	-	(1,910,018)	-	(1,910,018)
Total cash flows	2,278,000	-	(1,910,018)	-	367,982
Reinsurance contract assets - end of year	$ (261,748)	$ -	$ 2,055,732	$ 36,460	$ 1,830,444

* PVFCF refers to present value of future cash flows

11. Pension Plan

The Company makes contributions on behalf of its employees to "The Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies", which is a multi-employer plan. Each member company has signed an Ontario Mutual Insurance Association Pension Plan Agreement. Eligible employees participate in the defined benefit plan and sales agents participate in the defined contribution plan. The defined benefit plan specifies the amount of the retirement benefit to be received by the employee based on the number of years the employee has contributed and his/her final average earnings. The plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Company is one of a number of employers that participate in the plan and the financial information provided to the Company on the basis of the contractual agreements is insufficient to reliably measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

The Company matches the employee contributions and funds the excess defined benefit based on the Company's percentage of pensionable earnings as calculated by the Pension Plan actuaries. The Pension Plan agreement states that the Company is responsible for its share of any deficit as a result of any actuarial valuation or cost certificate. The minimum funding requirement is the solvency valuation amount determined by the Pension Plan actuary on the valuation dates prescribed by the Pensions Benefit Act. In the event of a wind-up, voluntary withdrawal or bankruptcy, either by the Company or the group as a whole, the Company is responsible for its portion of all expenses and deficit related to such.

During 2023, the amount contributed to the plan for current service was $ 100,699 (2022 - $ 83,637) and the amount contributed for solvency funded status deficit was $ nil (2022 - $ nil). These amounts have been recognized in comprehensive income. The Company had a 0.4% share of the total contributions to the Plan in 2023.

An actuarial valuation of the Pension Plan as of December 31, 2022 showed a going concern surplus position. 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.

12. Income Taxes

The Company is subject to income taxes on that portion of its income derived from insuring other than farm related risks.

The significant components of tax expense included in comprehensive income are composed of:

	2023	2022
Current tax expense		
Based on current year taxable income	$ 435,438	$ 139,557
Adjustments for over/under provision in prior periods	-	-
	435,438	139,557
Deferred tax expense		
Origination and reversal of temporary differences	(47,883)	20,443
Reduction in tax rate	(17,138)	-
	(65,021)	20,443
Total Income Tax Expense	$ 370,417	$ 160,000

Reasons for the difference between current tax expense for the year and the expected income taxes based on the statutory tax rate of 25.32% (2022 - 26.50%) are as follows:

	2023	2022
Net income for the year before income taxes	2,048,899	929,406
Expected taxes based on the statutory rate of 25.32% (2022 - 26.50%)	518,781	246,293
Deductible portion of claims liabilities	(45,357)	(60,708)
Market to market and other adjustments related to investments	(38,308)	(37,676)
Depreciation in excess of capital cost allowance (capital cost allowance in excess of depreciation)	6,702	52
Non-deductible expenses (recovery)	(6,380)	(8,404)
Total current income tax expense	$ 435,438	$ 139,557

12. Income Taxes (continued)

The movement in the 2023 deferred tax liabilities and assets are:

	Opening Balance at January 1, 2023	Recognized in Net Income	Recognized in OCI	Recognized Directly in Equity	Reclassify from Equity to Net Income	Closing Balance at December 31, 2023
Deferred tax liabilities						
Property, plant and equipment	$ -	$ -	$ -	$ -	$ -	$ -
Other tax credits	-	-	-	-	-	-
Claims liabilities	437,567	(64,862)	-	-	-	372,705
Deferred tax liability	$ 437,567	$ (64,862)	$ -	$ -	$ -	$ 372,705
Deferred tax assets						
Property, plant and equipment	4,800	159	-	-	-	4,959
Claims liabilities	-	-	-	-	-	-
Losses carryforward	-	-	-	-	-	-
Deferred tax assets	$ 4,800	$ 159	$ -	$ -	$ -	$ 4,959
2023 net deferred tax asset (liability) movement	$ (432,767)	$ 65,021	$ -	$ -	$ -	$ (367,746)

The movement in the 2022 deferred tax liabilities and assets are:

	Opening Balance at January 1, 2022	Recognized in net income	Recognized in OCI	Recognized Directly in Equity	Reclassify from Equity to Net Income	Closing Balance at December 31, 2022
Deferred tax liabilities						
Property, plant and equipment	-	-	-	-	-	-
Other tax credits	-	-	-	-	-	-
Claims liabilities	423,697	13,870	-	-	-	437,567
Deferred tax liability	$ 423,697	$ 13,870	$ -	$ -	$ -	$ 437,567
Deferred tax assets						
Property, plant and equipment	11,373	(6,573)	-	-	-	4,800
Claims liabilities	-	-	-	-	-	-
Losses carryforward	-	-	-	-	-	-
Deferred tax assets	$ 11,373	$ (6,573)	$ -	$ -	$ -	$ 4,800
2022 net deferred tax asset (liability) movement	$ (412,324)	$ (20,443)	$ -	$ -	$ -	$ (432,767)

12. Income Taxes (continued)

	2023	2022
Deferred tax liabilities		
Deferred tax liabilities to be settled within 12 months	$ 372,705	$ 437,567
Deferred tax liabilities to be settled after more than 12 months	-	-
	$ 372,705	$ 437,567
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	4,959	4,800
Deferred tax assets to be recovered after more than 12 months	-	-
	$ 4,959	$ 4,800
Net deferred tax asset (liability)	$ (367,746)	$ (432,767)

13. 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		
Short-term employee benefits, wages and directors' fees	$ 289,793	$ 255,890
Premiums	140,196	134,670
Claims paid	82,816	501,725

Amounts owing to and from key management personnel at December 31, 2023 are $ nil (2022 - $ 3,027).

14. Capital Management

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

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

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

15. Insurance and Financial Risk Management

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 risks mitigation program. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its 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.

15. Insurance and Financial Risk Management (continued)

a) Insurance Risk (continued)

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; in this case the Company has policies regarding renewal and new business accepted. Reinsurance is purchased to mitigate the effect of the potential loss to the Company. Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. (FMRe), a Canadian registered reinsurer.

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 $ 500,000 (2022 - $ 450,000) in the event of a property claim, an amount of $ 400,000 (2022 - $ 400,000) in the event of an auto claim and an amount of $ 400,000 (2022 - $ 400,000) in the event of a liability claim. There is no limit on liability of the Company to an amount on any one claim in the event of a farmer's accident claim (2022 - $ nil). For amounts over the respective limits, there is an 80% retention to a specified maximum. The Company also obtained reinsurance which limits the Company's liability to $ 1,800,000 (2022 - $ 1,350,000) 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 100% of gross net earned premiums for property, automobile and liability.

The Company is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses and expected profit in relation to unearned premiums. The premium deficiency at December 31, 2023 was $ nil (2022 - $ nil).

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

15. Insurance and Financial Risk Management (continued)

a) Insurance Risk (continued)

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

	2023		2022	
Type of Unpaid Claim	**Gross**	**Ceded**	Gross	Ceded
Personal	**$ 4,756,293**	**$ (1,410,815)**	$ 3,712,482	$ (1,772,076)
Commercial	**3,442,153**	**(1,623,254)**	2,079,740	(58,368)
Automobile	**1,082,928**	**-**	749,733	-
	$ 9,281,374	**$ (3,034,069)**	$ 6,541,955	$ (1,830,444)

The risks written by the Company are concentrated within Ontario.

i. Sensitivities

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

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

		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	+5.0%	120,000	87,000	88,000	64,000
Inflation rate	+1.0%	179,000	90,000	132,000	66,000
Interest rate	+1.0%	(164,000)	(84,000)	(121,000)	(62,000)
Expected loss	-5.0%	(118,000)	(89,000)	(87,000)	(65,000)
Inflation rate	-1.0%	(173,000)	(88,000)	(127,000)	(65,000)
Interest rate	-1.0%	173,000	88,000	127,000	65,000

15. Insurance and Financial Risk Management (continued)

a) Insurance Risk (continued)

i. Sensitivities (continued)

		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	+5.0%	78,000	50,000	57,000	37,000
Inflation rate	+1.0%	50,000	31,000	37,000	23,000
Interest rate	+1.0%	(46,000)	(29,000)	(34,000)	(21,000)
Expected loss	-5.0%	(76,000)	(52,000)	(56,000)	(38,000)
Inflation rate	-1.0%	(50,000)	(31,000)	(37,000)	(23,000)
Interest rate	-1.0%	48,000	30,000	35,000	22,000

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	10(a)	**$ 8,384,755**	**$ 896,619**	**$ 9,281,374**	$ 6,423,325	$118,630	$ 6,541,955
Amounts recoverable from reinsurance	10(b)	(2,626,033)	(408,036)	(3,034,069)	(1,793,984)	(36,460)	(1,830,444)
Total net liabilities for incurred claims		**$ 5,758,722**	**$ 488,583**	**$ 6,247,305**	$ 4,629,341	$ 82,170	$ 4,711,511

15. Insurance and 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
At the end year of claim	$ 4,525,246	$ 3,848,398	$ 5,007,624	$ 4,690,089	$13,596,840	$ 4,026,433	$ 5,442,464	$11,220,746	$ 7,110,206	$ 7,242,908	$ -
One year later	3,820,738	3,195,511	4,632,097	4,524,901	14,406,651	3,230,442	3,750,852	8,844,482	6,978,837	-	-
Two years later	3,819,989	3,041,144	4,555,565	4,399,895	14,287,015	2,945,159	3,758,547	10,598,161	-	-	-
Three years later	3,843,641	3,114,655	4,268,110	4,316,845	14,541,704	2,804,612	3,766,690	-	-	-	-
Four years later	4,054,044	2,945,120	4,267,903	4,255,316	14,531,132	2,804,612	-	-	-	-	-
Five years later	4,058,078	2,946,450	4,271,787	4,215,675	14,531,138	-	-	-	-	-	-
Six years later	4,263,751	2,944,096	4,265,692	4,214,681	-	-	-	-	-	-	-
Seven years later	4,261,752	2,944,096	4,265,692	-	-	-	-	-	-	-	-
Eight years later	4,208,752	2,944,096	-	-	-	-	-	-	-	-	-
Nine years later	4,208,752	-	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	4,208,752	2,944,096	4,265,692	4,214,681	14,531,138	2,804,612	3,766,690	10,598,161	6,978,837	7,242,908	61,555,567
Cumulative payments	3,758,988	2,944,096	4,265,692	4,173,303	14,494,833	2,804,612	3,159,989	8,270,821	5,892,087	2,615,881	52,380,302
Gross undiscounted liabilities for incurred claims	$ 449,764	$ -	$ -	$ 41,378	$ 36,305	$ -	$ 606,701	$ 2,327,340	$ 1,086,750	$ 4,627,027	9,175,265
Outstanding claims 2013 and prior											282,587
Effect of discounting											(665,521)
Other attributable expenses											489,043
Total liabilities for incurred claims											$ 9,281,374

15. Insurance and 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
At the end year of claim	372,817	36,028	$ 3,366,400	$ 3,937,453	$ 6,786,008	$ 3,833,483	$ 4,848,001	$ 8,262,874	$ 5,331,996	$ 6,099,156	$ -
One year later	-	1,000,000	2,941,306	3,603,552	8,149,843	3,009,045	3,531,488	6,328,716	5,557,185	-	-
Two years later	-	-	2,859,654	3,633,226	8,030,207	2,730,837	3,477,960	6,442,687	-	-	-
Three years later	-	-	2,572,199	3,606,646	6,488,453	2,590,290	3,483,115	-	-	-	-
Four years later	$ 2,491,015	$ 2,118,198	2,571,992	3,550,117	6,474,436	2,590,290	-	-	-	-	-
Five years later	3,031,469	2,146,188	2,575,876	3,507,031	6,475,282	-	-	-	-	-	-
Six years later	3,045,142	2,143,833	2,569,781	3,506,877	-	-	-	-	-	-	-
Seven years later	3,046,143	2,143,833	2,569,781	-	-	-	-	-	-	-	-
Eight years later	3,012,143	2,143,833	-	-	-	-	-	-	-	-	-
Nine years later	3,012,143	-	-	-	-	-	-	-	-	-	-
Net estimates of the undiscounted amount of the claims	3,012,143	2,143,833	2,569,781	3,506,877	6,475,282	2,590,290	3,483,115	6,442,687	5,557,185	6,099,156	41,880,349
Cumulative payments	2,838,217	2,143,833	2,569,781	3,468,104	6,441,582	2,590,290	3,111,925	5,831,399	4,640,149	2,592,411	36,227,691
Net undiscounted liabilities for incurred claims	$ 173,926	$ -	$ -	$ 38,773	$ 33,700	$ -	$ 371,190	$ 611,288	$ 917,036	$ 3,506,745	5,652,658
Outstanding claims 2013 and prior											119,687
Effect of discounting											(351,382)
Other attributable expenses											826,342
Total net liabilities for incurred claims											$ 6,247,305

Usborne & Hibbert Mutual Fire Insurance Company
Notes to the Financial Statements
For the year ended December 31, 2023

15. Insurance and 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
At the end year of claim	$ 4,190,889	$ 4,525,246	$ 3,848,398	$ 5,007,624	$ 4,690,089	$13,596,840	$ 4,026,433	$ 5,442,464	$11,220,746	$ 7,110,206	$ -
One year later	3,524,062	3,820,738	3,195,511	4,632,097	4,524,901	14,406,651	3,230,442	3,750,852	8,884,482	-	-
Two years later	3,505,376	3,819,989	3,041,144	4,555,565	4,399,895	14,287,015	2,945,159	3,758,547	-	-	-
Three years later	3,505,376	3,843,641	3,114,655	4,268,110	4,316,845	14,541,704	2,804,612	-	-	-	-
Four years later	3,505,376	4,054,044	2,945,120	4,267,903	4,255,316	14,531,132	-	-	-	-	-
Five years later	3,505,376	4,058,078	2,946,450	4,271,787	4,215,675	-	-	-	-	-	-
Six years later	3,505,376	4,263,751	2,944,096	4,265,692	-	-	-	-	-	-	-
Seven years later	3,505,376	4,261,752	2,944,096	-	-	-	-	-	-	-	-
Eight years later	3,505,376	4,208,752	-	-	-	-	-	-	-	-	-
Nine years later	3,505,376	-	-	-	-	-	-	-	-	-	-
Gross estimates of the undiscounted amount of the claims	3,505,376	4,208,752	2,944,096	4,265,692	4,215,675	14,531,132	2,804,612	3,758,547	8,884,482	7,110,206	56,228,570
Cumulative payments	3,505,376	3,755,831	2,944,096	4,265,692	4,170,190	14,493,815	2,804,612	3,087,590	8,082,738	2,950,453	50,060,393
Gross undiscounted liabilities for incurred claims	$ -	$ 452,921	$ -	$ -	$ 45,485	$ 37,317	$ -	$ 670,957	$ 801,744	$ 4,159,753	6,168,177
Outstanding claims 2012 and prior											282,587
Effect of discounting											(232,613)
Other attributable expenses											323,804
Total liabilities for incurred claims											$ 6,541,955

Usborne & Hibbert Mutual Fire Insurance Company
Notes to the Financial Statements
For the year ended December 31, 2023

15. Insurance and 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
At the end year of claim	$ 3,692,595	$ 3,437,350	$ 2,953,079	$ 3,366,400	$ 3,937,453	$ 6,786,008	$ 3,833,483	$ 4,848,001	$ 8,262,874	$ 5,331,996	$ -
One year later	2,945,162	2,899,966	2,253,861	2,941,306	3,603,552	8,149,843	3,009,045	3,531,488	6,328,716	-	-
Two years later	2,926,014	2,899,218	2,240,881	2,859,654	3,633,226	8,030,207	2,730,837	3,477,960	-	-	-
Three years later	2,926,014	2,922,870	2,314,392	2,572,199	3,606,646	6,488,453	2,590,290	-	-	-	-
Four years later	2,926,014	3,030,435	2,144,857	2,571,992	3,550,117	6,474,436	-	-	-	-	-
Five years later	2,926,014	3,031,469	2,146,188	2,575,876	3,507,031	-	-	-	-	-	-
Six years later	2,926,014	3,045,142	2,143,833	2,569,781	-	-	-	-	-	-	-
Seven years later	2,926,014	3,046,143	2,143,833	-	-	-	-	-	-	-	-
Eight years later	2,926,014	3,012,143	-	-	-	-	-	-	-	-	-
Nine years later	2,926,014	-	-	-	-	-	-	-	-	-	-
Net estimates of the undiscounted amount of the claims	2,926,014	3,012,143	2,143,833	2,569,781	3,507,031	6,474,436	2,590,290	3,477,960	6,328,716	5,331,996	38,362,200
Cumulative payments	2,926,014	2,835,060	2,143,833	2,569,781	3,464,991	6,440,564	2,590,290	3,039,526	5,643,316	2,532,428	34,185,803
Net undiscounted liabilities for incurred claims	$ -	$ 177,083	$ -	$ -	$ 42,040	$ 33,872	$ -	$ 438,434	$ 685,400	$ 2,799,568	4,176,397
Outstanding claims 2012 and prior											119,687
Effect of discounting											(154,638)
Other attributable expenses											570,065
Total net liabilities for incurred claims											$ 4,711,511

Usborne & Hibbert Mutual Fire Insurance Company
Notes to the Financial Statements
For the year ended December 31, 2023

15. Insurance and Financial Risk Management (continued)

b) Financial Risk

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 related to its debt holdings in its investment portfolio and the reliance on reinsurers to make payment when certain loss conditions are met.

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
Reinsurance contract assets	$ -	$ 2,825,149	$ -	$ 2,825,149
Investments - bonds	23,241,711	962,634	-	24,204,345
	$ 23,241,711	$ 3,787,783	$ -	$ 27,029,494

	2022			
	A or better	Less than A	Not Rated	Total
Reinsurance contract assets	-	1,563,953	-	1,563,953
Investments - bonds	26,101,445	1,801,179	-	27,902,624
	$ 26,101,445	$ 3,365,132	$ -	$ 29,466,577

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk. The maximum exposure to credit risk and concentration of this risk is outlined in Note 6.

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio includes 96.02% (2022 - 93.54%) of bonds rated A or better. The Company's investment policy limits investments in bonds and debentures of the various ratings to limits ranging from 70% to 90% of the Company's portfolio. Funds should be invested in bonds and debentures of Federal, Provincial or Municipal Government and corporations rated A 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 Reinsurance Plan Inc. (FMRe), a Canadian registered reinsurer. Management monitors the creditworthiness of FMRe by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

15. Insurance and Financial Risk Management (continued)

b) Financial Risk (continued)

i. Credit risk (continued)

Accounts receivable are short-term in nature, consisting of a large number of policyholders, and are not subject to material credit risk. Regular review of outstanding receivables is performed to ensure credit worthiness.

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

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. Current liabilities arise as claims are made. There are no material liabilities that can be called unexpectedly at the demand of a lender or client. There are no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

In accordance with its investment policy, the Company limits its holdings in cash and short-term investments to a maximum of 5% of the market value of the portfolio. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year.

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

The maturity profile of the company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarised 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
Financial assets			
Cash	$ 7,160,206	$ -	$ 7,160,206
Investments and accrued interest	5,304,938	35,227,387	40,532,325
	12,465,144	35,227,387	47,692,531
Insurance assets			
Reinsurance asset contracts	1,092,126	1,941,943	3,034,069
Insurance liabilities			
Liability for incurred claims	4,934,941	4,346,433	9,281,374
Liability for remaining coverage	2,640,039	-	2,640,039
	7,574,980	4,346,433	11,921,413
Financial liabilities			
Accounts payable and accrued liabilities	178,738	-	178,738
Deferred tax liability	372,705	(4,959)	367,746
Income taxes payable	301,144	-	301,144
	852,587	(4,959)	847,628
Net liquidity gap	$ 5,129,703	$ 32,827,856	$ 37,957,559

15. Insurance and Financial Risk Management (continued)

b) Financial Risk (continued)

ii. Liquidity risk (continued)

	2022		
	Short-term	Long-term	Total
Financial assets			
Cash	$ 5,358,458	$ -	$ 5,358,458
Investments	13,544,209	25,293,460	38,837,669
Income taxes receivable	243,664	-	243,664
	19,146,331	25,293,460	44,439,791
Insurance assets			
Reinsurance asset contracts	1,266,616	563,828	1,830,444
Insurance liabilities			
Liability for incurred claims	5,225,152	1,316,803	6,541,955
Liability for remaining coverage	2,988,322	-	2,988,322
	8,213,474	1,316,803	9,530,277
Financial liabilities			
Accounts payable and accrued liabilities	181,565	-	181,565
Deferred tax liability	437,567	(4,800)	432,767
	619,132	(4,800)	614,332
Net liquidity gap	$ 11,580,341	$ 24,545,285	$ 36,125,626

iii. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, price risk, foreign currency 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 equities to a maximum of 25% of the company's total assets and a 10% limit in any one company.

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.

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

15. Insurance and Financial Risk Management (continued)

b) Financial Risk (continued)

iii. Market risk (continued)

i. Interest rate risk (continued)

The objective and policies and procedures for managing interest rate risk is to manage the bond portfolio in such a way that the bonds are a portfolio laddered over 10 years. One tenth of the bond portfolio would come due each year and be reinvested. This protects the Company from fluctuations in the interest rates.

Insurance finance income or expenses reflect changes in insurance contract liabilities valuations, driven by factors like discount rate adjustments and financial assumptions. These valuations, in turn, impact the Company's financial results. Prudent risk management strategies ensure stability in financial performance, underscoring the crucial link between investment returns and the Company's 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**	**(808,000)**	**(594,000)**	(565,000)	(415,000)
Debt instruments	**- 100 bps**	**808,000**	**594,000**	565,000	415,000

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

ii. Price risk

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

iii. Foreign currency risk

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 denominated bond, stock and mutual fund holdings. The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities.

15. Insurance and Financial Risk Management (continued)

b) Financial Risk (continued)

iii. Market risk (continued)

iii. Foreign currency risk (continued)

The Company's foreign exchange risk is related to its stock and mutual fund holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company mitigates some of the foreign currency risk associated with insurance contracts by holding reinsurance contracts denominated in the same currencies as its insurance contract liabilities. The Company also limits its holdings in foreign equity to 25% of the total investment portfolio 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 by approximately $ 70,400 (2022 - $ 36,300) which would be reflected in comprehensive income. At year end, there was $ 7,037,315 (2022 - $ 3,629,280) in foreign currency investments held in the portfolio.

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

iv. Equity risk

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

The Company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index, United States stocks with fair values that move with the S&P 500 Index and international stocks that move with financial markets in Europe, Australia and Asia. A 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair value of the Company's Canadian common stocks and United States common stocks of approximately $ 1,138,200 (2022 - $ 682,300). For stocks that the Company did not sell during the period, the change would be recognized in the asset value and the statement of comprehensive income. For stocks that the company did sell during the period, the change during the period and changes prior to the period would be recognized as net realized gains in income during the period.

In accordance with its investment policy, the Company limits its holdings in equities to 25% of total assets and a 10% limit in any one company. The Company's investment policy limits investments in common shares to a maximum of 25% of the market value of the portfolio. Up to 7% of the investment portfolio may be invested in other investments, known as the "basket clause". Up to 2% of the investment portfolio may be invested in investment real estate.

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