ALGOMA MUTUAL INSURANCE COMPANY

Financial Statements

For the year ended December 31, 2023

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For the year ended December 31, 2023

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Independent Auditor's Report

To the Policyholders of
Algoma Mutual Insurance Company

Opinion

We have audited the financial statements of Algoma Mutual Insurance Company (the 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 material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Brantford, Ontario
February 28, 2024

Algoma Mutual Insurance Company
Statement of Financial Position
(in thousands of Canadian dollars)

As at	**December 31, *2023***	December 31, *2022 restated*	January 1, *2022 restated*
Assets			
Cash	**$ 1,696**	$ 1,995	$ 1,343
Investments (Note 5)	**13,965**	12,626	11,802
Investment income accrued	**94**	56	55
Income taxes recoverable	**-**	-	98
Reinsurance contract assets (Note 4.2)	**2,683**	2,191	3,554
Property, plant & equipment (Note 12)	**435**	394	394
Intangible assets (Note 12)	**5**	9	12
Deferred income taxes (Note 10)	**24**	24	24
	$ 18,902	$ 17,295	$ 17,282
Liabilities			
Accounts payable and accrued liabilities	**$ 266**	$ 245	$ 274
Income taxes payable	**23**	183	-
Insurance contract liabilities (Note 4.2)	**7,820**	6,995	8,054
	8,109	7,423	8,328
Members' Surplus			
Unappropriated members' surplus	**10,793**	9,872	8,954
	$ 18,902	$ 17,295	$ 17,282

Signed on behalf of the Board by:

_______________________________, Director

_______________________________, Director

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

Algoma Mutual Insurance Company
Statement of Comprehensive Income
(in thousands of Canadian dollars)

For the year ended December 31, 2023	2023	*restated* 2022
Insurance revenue	$ 11,544	$ 10,825
Insurance service expense (Note 8)	(11,007)	(6,531)
Insurance service result before reinsurance contracts	537	4,294
Reinsurance premiums ceded	(2,423)	(2,302)
Amounts recoverable from reinsurers for incurred claims	2,864	(191)
Net income (expense) from reinsurance contracts held	441	(2,493)
Insurance service result	978	1,801
Finance income (expenses) for insurance contracts issued	(239)	88
Finance income (expenses) for reinsurance contracts held	109	(64)
Net insurance financial result	(130)	24
Investment and other income (expense) (Note 6)	770	(277)
Operating and administrative expenses (Note 8)	(430)	(381)
Profit (loss) before tax	1,188	1,167
Provision for income taxes (Note 10)	267	249
Comprehensive (loss) income for the year	921	918

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

Statement of Members' Surplus

(in thousands of Canadian dollars)

For the year ended December 31		2023		2022
Unappropriated members' surplus				
Balance, as previously reported			$	8,369
Impact of initial application of IFRS 17				585
Restated balance**, beginning of year**		**9,872**		**8,954**
Comprehensive (loss) income for the year		**921**		918
Balance, end of the year	**$**	**10,793**	$	9,872

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

Algoma Mutual Insurance Company
Statement of Cash Flows
(in thousands of Canadian dollars)

For the year ended December 31	2023	restated 2022
Operating activities		
Comprehensive (loss) income for the year	$ 921	$ 918
Adjustments for:		
Depreciation and amortization of intangibles	56	52
Provision for income taxes	267	249
Interest and dividend income	(465)	(295)
Realized loss from disposal of investments	388	2
Unrealized (gain) loss on investments	(707)	580
	460	1,506
Changes in working capital		
Change in reinsurance contract assets	(492)	1,363
Change in accounts payable and accrued liabilities	21	10
Change in contract liabilities	825	(1,059)
	354	314
Cash flows related to interest, dividends and income taxes		
Interest and dividends received	428	294
Income taxes paid	(427)	(7)
	1	287
Total cash inflows from operating activities	815	2,107
Investing activities		
Sale of investments	13,958	9,160
Purchase of investments	(14,979)	(10,566)
Purchase of property plant & equipment	(93)	(49)
Total cash outflows from investing activities	(1,114)	(1,455)
Net (decrease) increase in cash	(299)	652
Cash, beginning of year	1,995	1,343
Cash, end of year	$ 1,696	$ 1,995

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

1. Corporate Information

Algoma Mutual Insurance Company (the Company) is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property, liability, automobile, insurance in Ontario. The Company's head office is located at 131 Main Street, Thessalon, 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 mutual insurance companies. 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 27, 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, except for financial assets classified as fair value through profit or loss ("FVTPL")

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

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 critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of insurance contracts as the coverage period of each contract in the group is one year or less.
- The Company has not made the election in IFRS 17.59(a) to recognize any insurance acquisition cash flows as an expense when it incurs those costs therefore defers insurance acquisition cash flows.

(in thousands of Canadian dollars)

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

  Discount rates applied are listed below:

	1 year		3 years		5 years		10 years	
	2023	2022	2023	2022	2023	2022	2023	2022
All lines of business	4.5%	4.4%	3.7%	4.0%	3.5%	3.9%	3.8%	4.1%

- The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. The Company has estimated the risk adjustment using a cost of capital approach at 7%. The Company has estimated the probability distribution of future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.
- The Company has elected not to disaggregate the change in risk adjustment for non-financial risk in accordance with IFRS 17.81 and includes the entire change as part of the insurance service result in the statement of profit or loss and other comprehensive income.
- The Company applies judgment over the inputs and methods used to allocate insurance acquisition cash flows to the related contracts. This includes judgments about the amounts allocated to insurance contracts expected to arise from renewals of insurance contracts in that group. The Company will revisit the assumptions at the end of each reporting period and revise the amounts of assets for insurance acquisition cash flows as necessary.
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding (Note 5).

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

3. Adoption of New Accounting Standards

IFRS 17 replaces IFRS 4 – *Insurance Contracts* for periods on or after January 1, 2023. The Company has applied IFRS 17 for the first time using the full retrospective approach and has restated comparative information for 2022 applying the transitional provisions in IFRS 17.

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. Under the full retrospective approach, at January 1, 2022 the Company identified, recognized and measured each group of insurance contract liabilities and reinsurance contract assets held and any acquisition costs, and derecognized previously reported balances that would not have existed had IFRS 17 always applied. This includes due from reinsurer, due from policyholders, reinsurers' share of provision for unpaid claims, deferred policy acquisition expenses, unearned premiums and provision for unpaid claims and adjustment expenses which are included in the measurement of insurance contract liabilities and reinsurance contract assets held under IFRS 17. The net difference of $585 was recognized in Unappropriated Members' Surplus on January 1, 2022.

All of the Company's insurance contract liabilities and reinsurance contract assets held are measured using the PAA, minimizing the differences between IFRS 4 and IFRS 17.

The measurement principles using the PAA which differ from those under IFRS 4 primarily include:

- The liability for remaining coverage represents premiums received less deferred acquisition cash flows and less amounts recognized in revenue for insurance services provided in that period. The Company discounts the measurement of the liability for remaining coverage to reflect the time value of money and the effect of financial risk where the premium due date and the related period of services are more than twelve months apart.
- The liability for incurred claims is determined on a discounted-probability-weighted expected value basis, and includes a risk adjustment for non-financial risk.
- Where a group of insurance contracts is onerous, measurement of the liability for remaining coverage includes a risk-adjustment for non-financial risk in order to calculate a loss component.
- Where a group of reinsurance contracts reinsures onerous insurance contracts, the measurement of the asset for remaining coverage is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses.

The presentation and disclosure principles using IFRS 17 differ from those under IFRS 4 primarily include:

- Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contract assets held that are assets and those that are liabilities, are presented separately on the Statement of Financial Position.

3. Adoption of New Accounting Standards (cont'd)

- The line-item descriptions for amounts recognized in the Statement of Comprehensive Income have changed significantly compared with the prior year. Changes to the line-item descriptions include:

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

4.1 Insurance Contracts - Material Accounting Policies

4.1.1 Classification

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

4.1.2 Level of Aggregation and Recognition

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

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

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

Other reinsurance contract assets held are recognized at the beginning of the coverage period for the reinsurance contract unless the company recognizes onerous insurance contracts on an earlier date which are reinsured and the related reinsurance contract was entered into prior to the onerous contract being recognized, in which case the reinsurance contract assets held are recognized at the date the onerous groups of underlying insurance contracts are recognized.
The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4.1.3 Separating components from insurance and reinsurance contracts

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

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

4.1.4 Measurement

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

<u>Contract Boundary</u>

The contract boundary determines the cash flows that are included in the measurement of a group of insurance contracts issued and reinsurance contract assets held. Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or has a substantive obligation to provide services including insurance coverage. A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

<u>Insurance acquisition cash flows</u>

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

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

Insurance Contract Liabilities - Initial Measurement

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

- Premiums received on initial recognition;
- Less any insurance acquisition cash flows allocated to the group, adjusted for any amounts previously recognized for cash flows related to the group; and
- Any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

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

Insurance Contract Liabilities - Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

Reinsurance Contract Assets – Initial Measurement

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

When there is an onerous group of underline contracts, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held.

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

Reinsurance Contract Assets – Subsequent Measurement

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

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

4.1.5 Derecognition and contract modification

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

4.1.6 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.

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

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

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

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

Insurance revenue

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

Insurance service expense

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

Net finance income or expense from insurance contracts and reinsurance contract assets held

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

(in thousands of Canadian dollars)

4.2 Insurance and Reinsurance Contracts

4.2.1 Movements in net asset or liability for insurance contracts issued

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

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance - Net insurance contract (assets)/liabilities	**1,909**	**-**	**4,953**	**133**	**6,995**
Cash flows					
Premiums received	11,710	-	-	-	11,710
Claims and other expenses paid	-	-	(6,956)	-	(6,956)
Insurance acquisition cash flows	(3,631)	-	-	-	(3,631)
Total cash flows	**8,079**	**-**	**(6,956)**	**-**	**1,123**
Changes in the statement of comprehensive income					
Insurance Revenue	11,544	-	-	-	11,544
Insurance service expenses					
Incurred claims and other expenses	-	-	9,619	77	9,696
Amortization of insurance acquisition cash flows	3,243	-	-	-	3,243
Changes to liabilities for incurred claims			(1,893)	(39)	(1,932)
Total insurance service expenses	3,243	-	7,726	38	11,007
Insurance service result	8,301	-	(7,726)	(38)	537
Insurance finance expenses	-	-	(239)	-	(239)
Total changes in in the statement of comprehensive income	**8,301**	**-**	**(7,965)**	**(38)**	**298**
Closing balance - Net insurance contract (assets)/liabilities	**1,687**	**-**	**5,962**	**171**	**7,820**

(in thousands of Canadian dollars)

	2022				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance - Net insurance contract (assets)/liabilities	**1,820**	**-**	**6,002**	**232**	**8,054**
Cash flows					
Premiums received	10,950	-	-	-	10,950
Claims and other expenses paid	-	-	(4,858)	-	(4,858)
Insurance acquisition cash flows	(2,769)	-	-	-	(2,769)
Total cash flows	**8,181**	**-**	**(4,858)**	**-**	**3,323**
Changes in the statement of comprehensive income					
Insurance Revenue	10,825	-	-	-	10,825
Insurance service expenses					
Incurred claims and other expenses	-	-	1,517	(238)	1,279
Amortization of insurance acquisition cash flows	2,733	-	-	-	2,733
Changes to liabilities for incurred claims	-	-	2,380	139	2,519
Total insurance service expenses	2,733	-	3,897	(99)	6,531
Insurance service result	8,092	-	(3,897)	99	4,294
Insurance finance expenses	-	-	(88)	-	(88)
Total changes in in the statement of comprehensive income	**8,092**	**-**	**(3,809)**	**99**	**4,382**
Closing balance - Net insurance contract (assets)/liabilities	**1,909**	**-**	**4,953**	**133**	**6,995**

(in thousands of Canadian dollars)

4.2.2 Movements in net asset or liability for reinsurance contracts held

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

	2023				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance - Net reinsurance contract (assets)/liabilities	**(61)**	**-**	**2,176**	**76**	**2,191**
Cash flows					
Premiums paid	2,341	-	-	-	2,341
Amounts received	-	-	(2,399)	-	(2,399)
Total cash flows	**2,341**	**-**	**(2,399)**	**-**	**(58)**
Changes in the statement of comprehensive income					
Allocation of reinsurance premiums	2,423	-	-	-	2,423
Amounts recoverable from reinsurers for incurred claims					
Recoveries of incurred claims and other insurance service expenses	-	-	3,470	18	3,488
Changes to amounts recoverable for incurred claims	-	-	(604)	(20)	(624)
Total amounts recoverable from reinsurers for incurred claims	-	-	2,866	(2)	2,864
Net income or expense from reinsurance contracts held	2,423	-	(2,866)	2	(441)
Reinsurance finance income	-	-	(109)	-	(109)
Total changes in in the statement of comprehensive income	**2,423**	**-**	**(2,975)**	**2**	**(550)**
Closing balance - Net reinsurance contract (assets)/liabilities	**(143)**	**-**	**2,752**	**74**	**2,683**

(in thousands of Canadian dollars)

	2022				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance - Net reinsurance contract (assets)/liabilities	**-**	**-**	**3,416**	**138**	**3,554**
Cash flows					
Premiums paid	2,240	-	-	-	2,240
Amounts received	-	-	(1,046)	-	(1,046)
Total cash flows	**2,240**	**-**	**(1,046)**	**-**	**1,194**
Changes in the statement of comprehensive income					
Allocation of reinsurance premiums	2,301	-	-	-	2,301
Amounts recoverable from reinsurers for incurred claims					
Recoveries of incurred claims and other insurance service expenses	-	-	1,544	35	1,579
Changes to amounts recoverable for incurred claims	-	-	(1,674)	(97)	(1,771)
Total amounts recoverable from reinsurers for incurred claims	-	-	(130)	(62)	(192)
Net income or expense from reinsurance contracts held	2,301	-	130	62	2,493
Reinsurance finance income	-	-	64	-	64
Total changes in in the statement of comprehensive income	**2,301**	**-**	**194**	**62**	**2,557**
Closing balance - Net reinsurance contract (assets)/liabilities	**(61)**	**-**	**2,176**	**76**	**2,191**

4.3 Insurance and Financial Risk

4.3.1 Insurance Risk

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

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. For longer tail claims that take some years to settle, there is also inflation risk. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

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

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

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are set by product line. The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of $330 (2022 - $280) in the event of a property claim, an amount of $450 (2022 - $350) in the event of an automobile claim and $330 (2022 - $280) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $990 (2022 - $840) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% (2022 – 80%) of gross net earned premiums for property and automobile.

Amounts recoverable from reinsurer are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its members and thus a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

4.3.1.1 Claim development

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

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

The Company has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

(in thousands of Canadian dollars)

4.3.1.1.1 Claim development

	Gross undiscounted liabilities for incurred claims for 2023										
Accident year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
At the end year of claim	4,398	5,241	3,485	4,435	5,809	6,795	13,090	5,716	2,922	5,530	
One year later	4,194	4,955	3,633	4,570	5,953	6,568	12,871	5,753	2,664		
Two years later	3,786	4,836	3,202	4,426	5,502	6,346	12,761	6,570			
Three years later	3,801	5,317	3,097	5,274	6,322	6,045	12,851				
Four years later	3,705	5,977	2,956	5,167	6,094	5,897					
Five years later	3,497	5,947	2,920	5,184	5,701						
Six years later	3,442	5,925	2,928	5,340							
Seven years later	3,409	5,908	2,933								
Eight years later	3,408	5,806									
Nine years later	3,408										
Gross estimates of the undiscounted amount of the claims	3,408	5,806	2,933	5,340	5,701	5,897	12,851	6,570	2,664	5,530	56,700
Cumulative payments to date	3,408	5,806	2,901	5,291	5,627	5,791	12,534	5,052	1,962	2,551	50,923
Gross undiscounted liabilities for incurred claims	-	-	32	49	74	106	317	1,518	702	2,979	5,777
2013 and prior											104
Risk adjustment											171
Effect of discounting											(319)
Other attributable expenses											400
Total gross liabilities for incurred claims											6,133

(in thousands of Canadian dollars)

4.3.1.1.1 Claim development (cont'd)

	Net undiscounted liabilities for incurred claims for 2023										
Accident year	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
At the end year of claim	2,960	3,997	2,879	3,434	3,419	4,951	3,613	3,247	2,488	2,957	
One year later	3,040	3,776	3,025	3,637	3,430	4,716	3,470	3,346	2,365		
Two years later	3,023	4,010	2,903	3,666	3,300	4,668	3,462	3,400			
Three years later	3,096	4,318	2,905	3,771	3,396	4,605	3,515				
Four years later	3,087	4,338	2,875	3,870	3,444	4,493					
Five years later	2,929	4,342	2,918	3,882	3,301						
Six years later	2,906	4,372	2,918	3,969							
Seven years later	3,267	4,356	2,923								
Eight years later	3,266	4,254									
Nine years later	3,266										
Net estimates of the undiscounted amount of the claims	3,266	4,254	2,923	3,969	3,301	4,493	3,515	3,400	2,365	2,957	34,443
Cumulative payments to date	3,266	4,254	2,891	3,920	3,290	4,403	3,320	2,992	1,962	1,259	31,557
Net undiscounted liabilities for incurred claims	-	-	32	49	11	90	195	408	403	1,698	2,886
2013 and prior											92
Risk adjustment											97
Effect of disounting											(167)
Other attributable expenses											399
Total net liabilities for incurred claims											3,307

(in thousands of Canadian dollars)

4.3.2 Sensitivities

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims frequency, expected loss ratios and claims development. Results of sensitivity testing based on expected loss ratios are as follows, showing gross and net of reinsurance and the impact on pre-tax income:

		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%	201	123	148	90
Inflation rate	+1%	76	38	56	28
Expected loss	-5%	(199)	(123)	(146)	(90)
Inflation rate	-1%	(75)	(38)	(55)	(28)

		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%	137	66	101	49
Inflation rate	+1%	80	37	59	27
Expected loss	-5%	(137)	(64)	(101)	(47)
Inflation rate	-1%	(78)	(37)	(57)	(27)

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.

4.3.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

(in thousands of Canadian dollars)

The Company’s investment policy requires that -% to 30% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year.

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

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	>5 years	Total
December 31, 2023						
Reinsurance contract assets	1,738	450	320	64	180	2,752
Liability for incurred claims	(3,946)	(824)	(647)	(194)	(350)	(5,961)
Insurance liabilities net of reinsurance asset contracts	(2,208)	(374)	(327)	(130)	(170)	(3,209)
Percent of Total	69%	12%	10%	4%	5%	100%
December 31, 2022						
Reinsurance contract assets	1,045	245	430	249	207	2,176
Liability for incurred claims	(2,656)	(769)	(755)	(399)	(373)	(4,952)
Insurance liabilities net of reinsurance asset contracts	(1,611)	(524)	(325)	(150)	(166)	(2,776)
Percent of Total	58%	19%	12%	5%	6%	100%

The following table presents the maturity profile of bonds held:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	>5 years	Total
December 31, 2023						
Debt instruments at FVTPL	-	-	5,176	2,648	5,415	13,239
Percent of Total	-%	-%	39%	20%	41%	1%
December 31, 2022						
Debt instruments at FVTPL	3,403	5,520	-	2,063	1,062	12,048
Percent of Total	28%	46%	-%	17%	9%	100%

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

(in thousands of Canadian dollars)

4.3.4 Market risk

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

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Board of Directors. Diversification techniques are utilized to minimize risk. The Policy limits the investment in any one corporate issuer to a maximum of 10% for the five major Canadian banks and 10% for all other corporations of the total equity portfolio.

The Company's currency risk is related to stock holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 10.0% 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. As at December 31, 2023 the Company holds no investments in foreign currency held funds.

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

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

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

		2023		2022	
	Change in interest rate	Impact on pre-tax profit or loss	Impact on equity	Impact on pre-tax profit or loss	Impact on equity
Insurance and reinsurance contracts	+/- 1%	37	27	36	26
Debt instruments	+/- 1%	576	423	194	143

(in thousands of Canadian dollars)

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

The Company's investment policy limits investment in preferred and common shares to a maximum of 35% of the market value of the portfolio.

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

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

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

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

	2023	2022
Guaranteed Investment Certificates	$ -	$ -
Bonds issued by:		
Federal	-	2,776
Provincial	7,103	5,520
Corporate - A or better	6,135	3,752
Collectivfide - not rated	-	-
	13,238	12,048
Equity Investments		
Canadian - private	-	-
Collectivfide - not listed	710	562
International - listed	-	-
	710	562
Pooled Funds		
Fixed Income	-	-
Equity	-	-
	-	-
Fire Mutuals Guarantee Fund	17	16
Other Investments	-	-
	17	16
Total Investments	$ 13,965	$ 12,626
Reinsurance contract assets	$ 2,683	$ 2,191

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

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio includes 100% (2022 – 100%) of bonds rated A- or better. The Company's investment policy limits investment in bonds and debentures of the various ratings to limits ranging from 65% to 100% of the Company's portfolio. The Company's policy requires that funds be invested in bonds and debentures of Federal, Provincial or Municipal Government and corporations rated BBB or better. Unrated bonds cannot exceed 0% of the Company's portfolio. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the creditworthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract. At year-end, the Company reviewed the amounts owing from its reinsurer and determined that no allowance is necessary.

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

5. Investments

(a) Recognition and initial measurement

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

(b) Classification and subsequent measurement

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

The Company classifies its equity instruments at FVTPL.

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

(in thousands of Canadian dollars)

(c) Derecognition

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

(d) Fair value measurement

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

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

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Bonds	**-**	**13,238**	**-**	**13,238**
Equity investments	**-**	**-**	**710**	**710**
Other investments	**-**	**-**	**17**	**17**
Total	**$ -**	**$ 13,238**	**$ 727**	**$ 13,965**
December 31, 2022				
Bonds	$ -	$ 12,048	$ -	$ 12,048
Equity investments	-	-	562	562
Other investments	-	-	16	16
Total	$ -	$ 12,048	$ 578	$ 12,626

There were no transfers between level 1, level 2 and level 3 for the year end December 31, 2023 and 2022.

(in thousands of Canadian dollars)

6. Investment and Other Income and Expenses

		2023		2022
Interest income	$	**435**	$	287
Dividend income		**30**		8
Realized (losses) gains on disposal of investments		**(388)**		(2)
Investment expenses		**(42)**		(37)
Change in fair value on investments		**707**		(580)
Rental and other income		**28**		47
	$	**770**	$	(277)

7. Capital management

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

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

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

(in thousands of Canadian dollars)

8. Other Operating and Administrative Expenses

		2023		2022
Claims and benefits	**$**	**7,449**	$	3,696
Amortization of intangible assets		**4**		4
Computer costs		**5**		8
Comissions		**2,354**		1,914
Depreciation		**38**		32
Inspections and investigations		**75**		105
Occupancy		**35**		24
Office costs		**137**		153
Professional fees		**461**		218
Remuneration		**794**		714
Taxes		**43**		40
Travel, meetings and training		**42**		4
	$	**11,437**	$	6,912
Insurance service expenses	**$**	**11,007**	$	6,531
Operating and Administrative Expenses		**430**		381
	$	**11,437**	$	6,912

9. Salaries, Benefits and Directors Fees

		2023		2022
Total salaries and benefits paid to employees, commissions paid to agents and directors fees	**$**	**1,394**	$	1,269

Included in claims expenses are wage and administrative costs of $480 (2022 - $559).

(in thousands of Canadian dollars)

10. Income Taxes

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

The significant components of tax expense included in net income consist of:

	2023	2022
Current tax expense		
Based on current year taxable income	$ 267	$ 249
Adjustments for under provision in prior periods	-	-
	267	249
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total income tax expense	$ 267	$ 249

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

	2023	2022
Income before taxes	$ 1,188	$ 1,167
Expected taxes based on the statutory rate of 26.5%	315	309
Small business deduction	(71)	(71)
Canadian dividend income	(8)	(2)
Other non deductible expenses	41	2
Other	(10)	11
Total income tax expense	$ 267	$ 249

At December 31, 2023, a deferred tax asset of $24 (2022 - $24) has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered through future rates.

(in thousands of Canadian dollars)

11. Structured Settlements, 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.

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

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

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

From time to time the Company purchases annuities from life insurance companies to settle certain obligations to claimants. The Company guarantees the life insurers' obligation under these annuities, which are estimated to be $278 (2022 - $280) based on the net present value of the projected cash flows of these guarantees in 2023. The Company acquires these annuities from reputable and credit-worthy life insurance companies whose obligations are insured, within limits, by Sun Life Assurance Co, Manulife Financial, Sun Life Financial Services and BMO Life Insurance Company. Accordingly, the Company considers its credit risk to be nil.

		2023		2022
Life company valuations:				
Total original premium	$	**250**	$	250
Gross valuation as at December 31		**278**		280
Net valuation as at December 31	$	**(28)**	$	(30)

(in thousands of Canadian dollars)

12. Property, Plant & Equipment

Property, plant & equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land, art work and antique furniture which is not depreciated. Depreciation is recognized in net income and is provided on a straight-line basis over the estimated useful life of the assets.

		2023		
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	N/A	**$ 67**	**$ -**	**$ 67**
Buildings	40 years	**670**	**419**	**251**
Computer hardware	4 years	**311**	**235**	**76**
Office equipment	10 years	**187**	**151**	**36**
Other equipment	10 years	**23**	**18**	**5**
		$ 1,258	**$ 823**	**$ 435**

		2022		
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 59	$ -	$ 59
Buildings	40 years	671	404	267
Computer hardware	4 years	258	211	47
Office equipment	10 years	161	146	15
Other equipment	10 years	22	16	6
		$ 1,171	$ 777	$ 394

Intangible assets consist of computer software which is not integral to the computer hardware owned by the Company. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life.

			2023	
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Software	**3 years**	**$ 104**	**$ 99**	**$ 5**

			2022	
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Software	3 years	$ 103	$ 94	$ 9

(in thousands of Canadian dollars)

13. Pension Plans

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

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

The amount contributed to the plan for 2023 was $137 (2022 - $117). The contributions were made for current service and these have been recognized in net income. The current service amount is determined by the plan actuary using the projected accrued benefit actuarial cost method. The Company had a 1.80% share of the total contributions to the plan in 2023.

Expected contributions to the plan for 2024 amount to $139, which is based on payments made to the multi-employer plan during the current fiscal year.

An actuarial valuation of the pension plan as of January 1, 2021 showed both a going concern surplus and solvency surplus positions. The next required actuarial valuation will be January 1, 2024.

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

14. Related Party Transactions

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

	2023	2022
Short term employee benefits and directors' fees	**$ 195**	$ 174
Total pension and other post-employment benefits	**22**	20
	$ 217	$ 194
Claims paid	**$ -**	$ 28