AXIOM
MUTUAL INSURANCE COMPANY

Financial Statements

For the year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Axiom Mutual Insurance Company

Opinion

We have audited the financial statements of Axiom Mutual Insurance Company (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of comprehensive income and unappropriated members' surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Axiom Mutual Insurance Company as at December 31, 2022, 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 auditor's report.

We are independent of the Entity 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.

Other Matter – Comparative information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 22, 2022.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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 the 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 Entity'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 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 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
February 16, 2023

Axiom Mutual Insurance Company

Statement of Financial Position
December 31, 2022 (in thousands of dollars)

		2022		2021
Assets				
Cash	$	9,427	$	5,174
Investments (Note 5)		75,984		81,086
Investment income accrued		121		61
Income taxes recoverable		4		4
Due from Facility Association		290		277
Due from Members		7,319		6,721
Reinsurer's share of unpaid claims (Note 4)		18,014		17,686
Deferred policy acquisition expenses (Note 4)		2,048		1,924
Investment property (Note 6)		628		628
Property, plant & equipment and intangible assets (Note 15)		3,023		3,195
Prepaid expenses		175		230
Deferred income taxes (Note 12)		1,234		509
Goodwill		2,800		2,800
	$	121,067	$	120,295
Liabilities				
Accounts payable and accrued liabilities	$	829	$	540
Unearned premiums (Note 4)		16,472		15,377
Unpaid claims and adjustment expenses (Note 4)		39,838		38,926
Due to reinsurer and other insurance companies		441		341
		57,580		55,184
Members' Surplus				
Unappropriated Members' Surplus		63,487		65,111
	$	121,067	$	120,295

Signed on behalf of the Board by:

_________________ David Bolton, Director

_________________ Robert Pertschy, Director

The accompanying notes are an integral part of these financial statements

Axiom Mutual Insurance Company

Statement of Comprehensive Income

For the Year Ended December 31, 2022 (in thousands of dollars)

	2022	2021
Underwriting income		
Gross premiums written	**$ 33,734**	$ 31,439
Less reinsurance ceded	**(5,138)**	(4,647)
Net premiums written	**28,596**	26,792
Less increase in unearned premiums	**(1,095)**	(631)
Net premiums earned	**27,501**	26,161
Service charges	**170**	158
Total underwriting revenue	**27,671**	26,319
Direct losses incurred		
Gross claims and adjustment expenses	**18,411**	25,225
Less reinsurer's share of claims and adjustment expenses	**(1,754)**	(4,542)
	16,657	20,683
Expenses		
Fees, commissions and other acquisition expenses (Note 9)	**9,404**	7,866
Other operating and administrative expenses (Note 10)	**1,274**	1,466
	10,678	9,332
Net underwriting income (loss)	**336**	(3,696)
Investment and other (loss) income (Note 7)	**(2,685)**	5,282
(Loss) income before income taxes	**(2,349)**	1,586
Provision for income taxes (Note 12)	**(725)**	197
Comprehensive (loss) income for the year	**$ (1,624)**	$ 1,389

The accompanying notes are an integral part of these financial statements

For the Year Ended December 31, 2022 (in thousands of dollars)

		2022		2021
Unappropriated Members' Surplus				
Balance, beginning of year	**$**	**65,111**	$	22,181
Adjustment on amalgamation (Note 3)		**-**		41,541
Balance, beginning of year, restated (Note 3)		**65,111**		63,722
Comprehensive (loss) income for the year		**(1,624)**		1,389
Balance, end of year	**$**	**63,487**	$	65,111

The accompanying notes are an integral part of these financial statements

Axiom Mutual Insurance Company
Statement of Cash Flows
For the Year Ended December 31, 2022 (in thousands of dollars)

	2022	2021
Operating activities		
Comprehensive (loss) income	**$ (1,624)**	$ 1,389
Adjustments for:		
Depreciation	**238**	210
Interest and dividend income	**(2,470)**	(2,198)
Provision for income taxes	**(725)**	197
Realized gain on disposal of investments	**(44)**	(2,875)
Unrealized gain on investments	**4,942**	(434)
	1,941	(5,100)
Changes in working capital		
Change in due from reinsurer	**-**	194
Change in prepaid expenses	**55**	(136)
Change in accounts payable and accrued liabilities	**289**	(1,429)
	344	(1,371)
Changes in insurance contract related balances, provisions		
Change in due from Facility Association	**(13)**	(57)
Change in due from Members	**(598)**	(83)
Change in reinsurer's share of unpaid claims	**(328)**	(2,688)
Change in deferred policy acquisition expenses	**(124)**	(69)
Change in unearned premiums	**1,095**	631
Change in provision for unpaid claims	**912**	7,961
Change in due to reinsurer and other insurance companies	**100**	(267)
	1,044	5,428
Cashflows related to interest, dividends and income taxes		
Interest and dividends received	**2,410**	2,275
Income taxes received	**-**	4
	2,410	2,279
Total cash inflows from operating activities	**4,115**	2,625
Investing activities		
Sale and maturity of investments	**19,094**	47,410
Purchase of investments	**(18,890)**	(50,097)
Purchase of property, plant & equipment and intangible assets	**(66)**	(308)
Total cash inflows (outflows) from investing activities	**138**	(2,995)
Net increase (decrease) in cash	**4,253**	(370)
Cash, beginning of year	**5,174**	1,941
Adjustment on amalgamation	**-**	3,603
Cash, beginning of year, restated	**5,174**	5,544
Cash, end of year	**$ 9,427**	$ 5,174

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION

Axiom Mutual Insurance Company (the "Company") is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. The Company changed its name from H T & C Mutual Insurance Company to Axiom Mutual Insurance Company effective May 2, 2022. It is licensed to write property, hail, liability, automobile, boiler and machinery, accident and sickness and fidelity insurance in Ontario. The Company's head office is located at 37868 Zurich-Hensall Road in Zurich, 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 Ontario Mutual Automobile Plan ("OMAP"). The rate filing includes actuarial justification for rate increases or decreases. All rate filings are approved or denied by the Financial Services Regulatory Authority of Ontario ("FSRA"). 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 15, 2023.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

These financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through profit and loss ("FVTPL").

The financial statements are presented in Canadian dollars ("CDN"), which is also the Company's functional currency, and all values are rounded to the nearest thousand (CDN $'000), unless otherwise indicated.

(c) Judgement and estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving critical judgements 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 calculation of unpaid claims, including the determination of the initial claim liability, the estimate of time until ultimate settlement and the performance of a liability adequacy test (Note 5);
- The determination of the recoverability of deferred policy acquisition expenses (Note 5); and
- 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 6).

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the 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 judgement.

3. AMALGAMATION

On August 20, 2020, Town & Country Mutual Insurance Company entered into an amalgamation agreement with Hay Mutual Insurance Company. The amalgamation was completed on January 1, 2021. Subsequent to the amalgamation, the Company changed its name to H T & C Mutual Insurance Company.

In accordance with IFRS, the comparative figures of Hay Mutual Insurance Company have not been included in the comparative figures.

December 31, 2022 (in thousands of dollars)

3. AMALGAMATION (CONTINUED)

The standards indicate that Town & Country Mutual Insurance Company shall initially recognize the identifiable assets and liabilities assumed at their fair values as at the amalgamation date. This resulted in fair market adjustments as follows: decrease to property, plant & equipment of $145 and an increase in investment property of $401, decrease to defined benefit obligation of $270 and a decrease to deferred tax asset of $70. The net assets of Hay Mutual Insurance Company were recognized as a direct addition to surplus. Net assets assumed on the amalgamation were as follows:

Assets		
Cash	$	**3,597**
Investments		**44,764**
Investment income accrued		**82**
Income taxes recoverable		**7**
Due from Facility Association		**220**
Due from Members		**1,930**
Reinsurer's share of unpaid claims		**3,761**
Deferred policy acquisition expenses		**507**
Investment property		**628**
Property, plant & equipment		**1,179**
Prepaid expenses		**71**
	$	**56,746**
Liabilities		
Accounts payable and accrued liabilities	$	**1,815**
Unearned premiums		**5,413**
Unpaid claims and adjustment expenses		**7,770**
Due to reinsurer and other insurance companies		**207**
	$	**15,205**
Increase in Members' Surplus upon amalgamation	$	**41,541**

December 31, 2022 (in thousands of dollars)

3. AMALGAMATION (CONTINUED)

The opening statement of financial position at January 1, 2021, after amalgamation, was as follows:

	Town & Country Mutual Insurance Company	Hay Mutual Insurance Company	Opening Balance at Jan 1, 2021
Assets			
Cash	$ 1,941	$ 3,597	$ 5,538
Investments	30,332	44,764	75,096
Investment income accrued	55	82	137
Income taxes recoverable	5	7	12
Due from Facility Association	-	220	220
Due from reinsurer	194	-	194
Due from Members	4,708	1,930	6,638
Reinsurer's share of unpaid claims	11,237	3,761	14,998
Prepaid expenses	23	71	94
Deferred policy acquisition expenses	1,348	507	1,855
Investment property	-	628	628
Property, plant & equipment and intangible assets	1,918	1,179	3,097
Deferred income taxes	703	-	703
Goodwill	2,800	-	2,800
	$ 55,264	$ 56,746	$ 112,010
Liabilities			
Accounts payable and accrued liabilities	$ 154	$ 1,815	$ 1,969
Unearned premiums	9,333	5,413	14,746
Unpaid claims and adjustment expenses	23,195	7,770	30,965
Due to reinsurer and other insurance companies	401	207	608
	33,083	15,205	48,288
Members' Surplus			
Unappropriated Members' Surplus	22,181	41,541	63,722
	$ 55,264	$ 56,746	$ 112,010

4. INSURANCE CONTRACTS

In accordance with IFRS 4, Insurance Contracts, the Company has continued to apply the accounting policies it applied in accordance with pre-changeover Canadian generally accepted accounting principles.

Balances arising from insurance contracts primarily include unearned premiums, provisions for unpaid claims and adjustment expenses, the Reinsurer’s share of provisions for unpaid claims and adjustment expenses and deferred policy acquisition expenses.

(a) Premiums and unearned premiums

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions payable to agents and exclusive of taxes levied on premiums.

The Company recognizes premium income evenly over the term of the insurance policy using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums (UEP). Changes in unearned premiums recorded in the statement of financial position for the years ended December 31, 2022 and 2021 and their impact on net premiums earned for the two years follow:

December 31, 2022 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

		2022		2021
Balance, beginning of the year	$	**15,377**	$	9,333
Adjustment on amalgamation (Note 3)		**-**		5,413
Balance, beginning of the year, restated (Note 3)	$	**15,377**	$	14,746
Premiums written		**33,734**		31,439
Reinsurance ceded		**(5,138)**		(4,647)
Premiums earned during year		**(27,501)**		(26,161)
Balance, end of the year	$	**16,472**	$	15,377

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 FSRA and therefore may result in a delay in adjusting the pricing to exposed risk.

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. There was no premium deficiency at December 31, 2022 and 2021.

Amounts due from Members are short-term in nature consisting of a large number of Members, and are not subject to material credit risk. Regular review of amounts outstanding is performed to ensure credit worthiness.

(b) Deferred policy acquisition expenses

Acquisition costs are comprised of agents' commissions. These costs are deferred and amortized over the terms of the related policies to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses. Changes in deferred policy acquisition expenses recorded in the statement of financial position for the years ended December 31, 2022 and 2021 and their impact on fees, commissions and other acquisition expenses for the two years follow:

		2022		2021
Balance, beginning of the year	$	**1,924**	$	1,348
Adjustment on amalgamation (Note 3)		**-**		507
Balance, beginning of the year, restated (Note 3)	$	**1,924**	$	1,855
Acquisition costs incurred		**4,859**		4,255
Expensed during the year		**(4,735)**		(4,186)
Balance, end of the year	$	**2,048**	$	1,924

(c) Unpaid claims and adjustment expenses

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, claims development, changes in reported claims and for claims incurred but not reported, based on past experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in current income.

Claim liabilities are carried on an undiscounted basis. A summary of the Company's outstanding gross unpaid claims liabilities, related reinsurer's share of unpaid claims and the net insurance liabilities follows:

December 31, 2022 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Long settlement term	$ 20,732	$ 9,581	$ 11,151	$ 20,288	$ 10,456	$ 9,832
Short settlement term	9,146	2,988	6,158	8,841	1,785	7,056
Facility Association and other residual pools	385	-	385	394	-	394
	30,263	12,569	17,694	29,523	12,241	17,282
Provision for claims incurred but not reported	9,575	5,445	4,130	9,403	5,445	3,958
Outstanding claims provision	$ 39,838	$ 18,014	$ 21,824	$ 38,926	$ 17,686	$ 21,240

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. 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.

Changes in claim liabilities recorded in the statement of financial position for the years ended December 31, 2022 and 2021 and their impact on claims and adjustment expenses for the two years follow:

December 31, 2022 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

	2022	2021
Provision for unpaid claims - beginning of year – net of reinsurance	$ **21,240**	$ 11,958
Adjustment on amalgamation (Note 3)	**-**	4,009
Provision for unpaid claims - beginning of year – net of reinsurance, restated	**21,240**	15,967
Decrease in estimated losses and expenses, for losses occurring in prior years	**(3,633)**	(93)
Provision for losses and expenses on claims occurring in the current year	**20,290**	20,776
Payment on claims:		
Current year	**(9,567)**	(10,528)
Prior years	**(6,506)**	(4,882)
Provision for unpaid claims – end of year - net of reinsurance	**21,824**	21,240
Reinsurer's share of provision for unpaid claims	**18,014**	17,686
Provision for unpaid claims - end of year - gross	$ **39,838**	$ 38,926

Claim development

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

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

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

The 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. Amounts prior to 2021 reflect the former Town & Country Mutual Insurance Company's claims cost with the amalgamated amounts updated starting in fiscal 2021 for each accident year. An accident year basis is considered to be the most appropriate for the business written by the Company.

December 31, 2022 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

Gross claims	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Gross estimate of cumulative claims cost											
At end of accident year	$ 7,534	$ 6,777	$ 9,872	$ 8,421	$ 11,186	$ 11,229	$ 14,284	$ 13,269	$ 24,711	$ 26,697	
One year later	8,626	7,586	12,261	9,782	10,803	9,734	14,458	15,022	22,956		
Two years later	7,970	7,296	11,150	8,270	11,856	10,039	17,884	12,839			
Three years later	7,622	6,979	10,819	8,069	12,793	10,020	15,950				
Four years later	7,361	6,611	9,324	7,316	11,762	9,567					
Five years later	7,179	6,701	9,551	10,308	10,987						
Six years later	6,997	6,668	10,534	9,431							
Seven years later	6,742	6,621	10,253								
Eight years later	6,693	6,621									
Nine years later	6,693										
Current estimate of cumulative claims cost	6,693	6,621	10,253	9,431	10,987	9,567	15,950	12,839	22,956	26,697	
Cumulative payments made to date	6,693	6,621	9,529	7,448	10,581	7,754	9,813	8,645	15,688	9,584	
Outstanding claims	$ -	$ -	$ 724	$ 1,983	$ 406	$ 1,813	$ 6,137	$ 4,194	$ 7,268	$ 17,113	$ 39,638
Outstanding claims 2012 and prior											200
Total gross unpaid claims and adjustment expenses											**$ 39,838**

Net of reinsurance	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Net estimate of cumulative claims cost											
At end of accident year	$ 6,006	$ 6,324	$ 6,937	$ 7,578	$ 9,615	$ 9,260	$ 10,651	$ 10,511	$ 20,776	$ 20,290	
One year later	6,048	6,160	7,520	8,070	9,583	8,536	10,600	12,113	20,224		
Two years later	5,798	5,921	7,245	7,296	10,103	8,647	12,093	10,529			
Three years later	5,690	5,838	7,091	7,297	9,362	8,518	11,185				
Four years later	5,642	5,606	6,586	6,825	9,339	8,334					
Five years later	5,628	5,695	6,613	7,480	9,179						
Six years later	5,504	5,730	6,806	7,317							
Seven years later	5,300	5,683	6,750								
Eight years later	5,252	5,683									
Nine years later	5,252										
Net current estimate of cumulative claims cost	5,252	5,683	6,750	7,317	9,179	8,334	11,185	10,529	20,224	20,290	
Net cumulative payments made to date	5,252	5,683	6,499	7,024	8,780	7,618	9,132	8,089	15,275	9,567	
Net outstanding claims	$ -	$ -	$ 251	$ 293	$ 399	$ 716	$ 2,053	$ 2,440	$ 4,949	$ 10,723	$ 21,824
Net outstanding claims 2012 and prior											-
Total net unpaid claims and adjustment expenses											**$ 21,824**

December 31, 2022 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

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:

	Property claims		Auto claims		Liability claims	
	2022	2021	**2022**	2021	**2022**	2021
5% increase in loss ratios						
Gross	**$ (865)**	$ (780)	**$ (608)**	$ (607)	**$ (158)**	$ (147)
Net	**(742)**	(685)	**(502)**	(500)	**(131)**	(124)
5% decrease in loss ratios						
Gross	**$ 865**	$ 780	**$ 608**	$ 607	**$ 158**	$ 147
Net	**742**	685	**502**	500	**131**	124

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.

(d) Liability adequacy test

At each reporting date the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant discount rate. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in comprehensive income initially by writing down the deferred policy acquisition expense and subsequently by recognizing additional unearned premiums.

(e) Reinsurer's share of provisions for unpaid claims and adjustment expenses

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. Reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured. Reinsurance liabilities, comprised of premiums payable for the purchase of reinsurance contracts, are included in accounts payable and accrued liabilities and are recognized as an expense on the same basis as revenue on the underlying policies being reinsured.

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 $600 (2021 - $550) in the event of a property claim, an amount of $600 (2021 - $550) in the event of an automobile claim and $600 (2021 - $550) in the event of a liability claim. The Company also obtained catastrophe reinsurance which limits the Company's liability to $2,000 (2021 - $1,650) 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 amount of net losses by accident year to 70% (2021 – 70%) of the combined gross net earned premiums for property, liability and automobile.

The Company participated in a program to provide reinsurance coverage for crop insurance through Farm Mutual Re. The maximum retained liability for the Company is $nil (2021 - $1,250) for Manitoba Agricultural Services Corporation and an amount of $nil (2021 - $1,250) for Saskatchewan Crop Insurance Corporation.

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.

December 31, 2022 (in thousands of dollars)

4. INSURANCE CONTRACTS (CONTINUED)

Expected reinsurance recoveries on unpaid claims and adjustment expenses are recognized as assets at the same time and using principles consistent with the Company's method for establishing the related liability. Changes in due from reinsurer recorded in the statement of financial position for the years ended December 31, 2022 and 2021 follow:

	2022	2021
Balance, beginning of the year	$ -	$ 194
Submitted to reinsurer	1,393	1,838
Received from reinsurer	(1,393)	(2,032)
Balance, end of the year	$ -	$ -

Changes in the reinsurer's share of provision for unpaid claims recorded in the statement of financial position for the years ended December 31, 2022 and 2021 follow:

	2022	2021
Balance, beginning of the year	$ 17,686	$ 11,237
Adjustment on amalgamation (Note 3)	-	3,761
Balance, beginning of the year, restated (Note 3)	$ 17,686	$ 14,998
New claims reserve	8,068	5,506
Change in prior years' reserve	(6,347)	(980)
Submitted to reinsurer	(1,393)	(1,838)
Balance, end of the year	$ 18,014	$ 17,686

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.

5. INVESTMENTS

(a) Recognition and initial measurement

The Company recognizes debt instruments on the date on which they are originated. Equity instruments including investments in pooled funds 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 and bonds 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.

December 31, 2022 (in thousands of dollars)

5. INVESTMENTS (CONTINUED)

The Company's pooled funds are redeemable at the option of the holder and therefore considered debt instruments under IFRS 9 that do not give rise to cash flows that are solely payments of principal and interest and therefore are classified as FVTPL.

The Company classifies its equity instruments in listed and unlisted companies, as 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.

Fair value is best evidenced by quoted bid or ask price, as appropriate, in an active market. Where bid or ask prices are not available, such as in an illiquid or inactive market, the closing price of the most recent transaction of that instrument subject to appropriate adjustments as required is used. Where quoted market prices are not available, the quoted prices of similar financial instruments or valuation models with observable market-based inputs are used to estimate the fair value.

These valuation models may use multiple observable market inputs, including observable interest rates, foreign exchange rates, index levels, credit spreads, equity prices, counterparty credit quality, and corresponding market volatility levels. Minimal management judgment is required for fair values calculated using quoted market prices or observable market inputs for models. The calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The Company uses the services of external security pricing vendors to obtain estimated fair values of securities in its investment portfolio. Fair values of pooled funds are based on the quoted market values of the underlying investments.

(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) Risks

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

	2022	2021
Short-term deposits, maturing January 1, 2023 to December 19, 2023 with fixed interest rates of 4.46% to 5.51%	$ **8,076**	$ 7,010
Corporate Loan	**-**	400
Equity Investments		
Canadian listed companies	**5,791**	6,352
Pooled Funds		
Canadian Fixed Income	**26,445**	28,225
Canadian Commercial Mortgages	**15,615**	15,773
Canadian Equity	**13,205**	15,336
Global Equity	**2,051**	4,549
	57,316	63,883
Other investments		
Collectivfide Insurance Group Inc. - equity investment	**3,500**	2,388
Collectivfide Insurance Group Inc. - bond investment	**1,250**	1,000
Fire Mutuals Guarantee Fund	**51**	53
	4,801	3,441
Total investments	$ **75,984**	$ 81,086

5. INVESTMENTS (CONTINUED)

The Company is exposed to credit risk relating to its debt holdings in its investment portfolio.

The Company's investment policy puts limits on the bond portfolio (included in Canadian Fixed Income pooled funds) such as 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 72% (2021 - 73%) of bonds rated A or better. The Company's investment policy limits investment in single issue bonds and debentures of the various ratings to limits ranging from 1% to 15% of the Company's fixed income portfolio. The Company's policy requires that funds be invested in bonds and debentures of Federal, Provincial and Municipal Government and corporations rated BBB or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

Bond yields have increased in the current year as financial markets recover from the impact of COVID-19. The Company continues to monitor investments for credit ratings to ensure investments are made in bonds rated A or better.

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

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.

The Company's investment policy requires that 2% to 20% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include GICs 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 liquidity risk.

Market factors that will impact the fair market 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 Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in Canadian bonds, mortgages and other debt securities (including those in pooled funds) to a minimum of 65% and a maximum of 100% of the Company's portfolio.

The Company's currency risk is related to foreign holdings through its investments in global pooled funds which are limited to 10% 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.

The Company is exposed to interest rate risk through its interest-bearing investments (GICs, Fixed Income pooled funds, bonds and Commercial Mortgages pooled fund).

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 will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses in profit or loss.

At December 31, 2022, a 1% move in interest rates, with all other variables held constant, could impact the market value of the bonds, Fixed Income pooled funds and Commercial Mortgages pooled fund by $1,607 (2021 – $1,716). This change would be recognized in profit or loss.

The Company is exposed to equity risk through its portfolio of stocks in unlisted Canadian companies, listed Canadian and foreign stocks or Canadian equity pooled funds and Global equity pooled funds. At December 31, 2021, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's listed Canadian stocks, Canadian equity pooled funds and Global equity pooled funds of $2,105 (2021 - $1,791). This change would be recognized in profit or loss.

The Company's investment policy limits investment in preferred and common shares (including its pooled fund equity investments) to a maximum of 30% of the market value of the portfolio. The total investment in preferred and common shares cannot exceed 25% of total assets.

December 31, 2022 (in thousands of dollars)

5. INVESTMENTS (CONTINUED)

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.

The Company's equity investment in Collectivfide Insurance Group Inc. consists of equity shares in the amount of $3 million. At inception of Collectivfide, the former companies contributed $2 million and an additional investment was made in the amount of $1 million in 2022.

The Company's investment in bond holdings of Collectivfide amount to $1,250 (2021 - $1,000). The initial bond purchase pays interest at 3% per annum and matures on May 1st, 2026. In 2022, an additional investment was made in the amount of $250 in bonds paying interest at 5.1% per annum and mature on July 1st, 2027.

Collectivfide Insurance Group Inc. is owned by 25 shareholders, all of which are Ontario Farm Mutuals, for the purposes of purchasing brokerages in Ontario to protect the Mutuals' collective interests.

(e) 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;
- 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, 2022				
Short-term deposits		**$ 8,076**		**$ 8,076**
Equities	**5,791**			**5,791**
Pooled funds		**41,701**	**15,615**	**57,316**
Other investments		**51**	**4,750**	**4,801**
Total	**$ 5,791**	**$ 49,828**	**$ 20,365**	**$ 75,984**
December 31, 2021				
Short-term deposits	$ -	$ 7,010	$ -	$ 7,010
Corporate Loan	-	400	-	400
Equities	6,352	-	-	6,352
Pooled funds	-	48,110	15,773	63,883
Other investments	-	53	3,388	3,441
Total	$ 6,352	$ 55,573	$ 19,161	$ 81,086

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2022 and 2021.

December 31, 2022 (in thousands of dollars)

5. INVESTMENTS (CONTINUED)

Reconciliation of Level 3 financial instruments:		**2022**		2021
Balance, beginning of the year	**$**	**19,161**	$	6,821
Adjustment on amalgamation		**-**		10,606
Balance, beginning of the year, restated	**$**	**19,161**	$	17,427
Purchases		**1,816**		1,524
Fair value adjustments		**(612)**		210
Balance, end of the year	**$**	**20,365**	$	19,161

The investment in Collectivfide Insurance Group Inc. (a Canadian private Company), is recorded at fair value and is not traded on an open market. The fair value of this investment is based on valuation techniques that include inputs that are not based on observable market data (unobservable inputs). Therefore, it is classified as Level 3.

The fair value of the investment in the Canadian private Company fluctuates based on the value of underlying net assets held by the private Company. At December 31, 2022, the change in measurement inputs would not result in a material adjustment to the Company's investment.

The investment in Canadian Commercial Mortgages pooled fund is valued based on the net asset values of the fund as provided by the investment manager of the fund. The commercial mortgages in the Canadian Commercial Mortgages pooled fund are valued at the present value of discounted future cash flows. The discount rate is based on the equivalent Government of Canada rate and an additional spread to compensate for a loan's particular risk. Due to the use of unobservable data and their limited liquidity, commercial mortgages are classified as Level 3.

6. INVESTMENT PROPERTY

		Land
Balance, beginning of the year	$	628
Balance, end of the year	**$**	**628**

The fair value of the investment property is $700 (2021 - $700).

The investment property was subject to an opinion of market value prepared by a local accredited Member of the Appraisal Institute of Canada. The fair value of investment property is determined by market value defined as the highest price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser. Investment property held by the Company is leased out.

December 31, 2022 (in thousands of dollars)

7. INVESTMENT AND OTHER (LOSS) INCOME

		2022		2021
Interest income	$	1,712	$	1,312
Dividend income		758		886
Realized gains on disposal of investments		44		2,875
Unrealized (losses) gains on investments		(4,942)		434
Investment expenses		(291)		(258)
Other income		34		33
	$	(2,685)	$	5,282

8. 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 dependent 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%. As at December 31, 2022, the Company has exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and deemed necessary.

9. FEES, COMMISSIONS AND OTHER ACQUISITION EXPENSES

		2022		2021
Commissions	$	4,693	$	4,122
Premium tax		91		96
Other		4,620		3,648
	$	9,404	$	7,866

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

		2022		2021
Computer costs	$	150	$	193
Occupancy		93		134
Professional fees		85		129
Salaries, benefits and directors' fees		735		842
Other		211		168
	$	1,274	$	1,466

December 31, 2022 (in thousands of dollars)

11. SALARIES, BENEFITS AND DIRECTORS' FEES

		2022		2021
Underwriting salaries and benefits	$	**2,335**	$	1,818
Claims salaries and benefits		**914**		693
Sales salaries and commissions		**4,774**		4,130
Other salaries, benefits and directors' fees		**735**		842
	$	**8,758**	$	7,483

12. INCOME TAXES

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity.

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

		2022		2021
Current tax				
Based on current year taxable income	$	**-**	$	-
Adjustments for over/under provision in prior periods		**-**		3
		-		3
Deferred tax				
Origination and reversal of temporary differences		**(725)**		194
Total income tax (recovery) expense	$	**(725)**	$	197

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (2021 – 26.5%) are as follows:

		2022		2021
(Loss) income before income taxes	$	**(2,349)**	$	1,586
Expected taxes based on the statutory rate of 26.5% (2021 - 26.5%)		**(622)**		420
Canadian dividend income not subject to tax		**(201)**		(155)
Other		**98**		(68)
Total income tax (recovery) expense	$	**(725)**	$	197

December 31, 2022 (in thousands of dollars)

12. INCOME TAXES (CONTINUED)

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

2022	Opening Balance at Jan 1, 2022	Recognized in net income	Closing Balance at Dec 31, 2022
Deferred income tax liabilities			
Property, plant & equipment	$ (60)	$ (91)	$ (151)
Deferred income tax assets			
Claims liabilities	569	795	1,364
Donations	-	21	21
2022 net deferred income tax asset movement	$ 509	$ 725	$ 1,234

The movement in 2021 deferred income tax liabilities and assets are:

2021	Opening Balance at Jan 1, 2021	Recognized in net income	Closing Balance at Dec 31, 2021
Deferred income tax liabilities			
Property, plant & equipment	$ (10)	$ (50)	$ (60)
Deferred income tax assets			
Claims liabilities	713	(144)	569
2021 net deferred income tax asset movement	$ 703	$ (194)	$ 509

13. STRUCTURED SETTLEMENTS, FIRE MUTUALS GUARANTEE FUND AND FINANCIAL GUARANTEE CONTRACTS

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

The Company is a member of the Fire Mutuals Guarantee Fund ("the Fund"). The Fund was established to provide payment of outstanding policyholders' claims if a member company becomes 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, which is a general reinsurer that shares in the insurance risks originally accepted by member insurance companies. As a member, the Company may be required to contribute additional capital should Farm Mutual Re's capital fall below a prescribed minimum. The additional capital would be provided by purchasing subordinated debt obligations issued by Farm Mutual Re.

These exposures represent financial guarantee contracts. The Company accounts for financial guarantee contracts in accordance with IFRS 4, Insurance Contracts.

December 31, 2022 (in thousands of dollars)

14. GOODWILL

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred over the net fair value of the identifiable net assets recognized.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

Goodwill reflects the quality of the acquired business and enhances the Company's ability to continue to grow its business.

The Goodwill impairment testing for the current year determined that there was no evidence of impairment.

15. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

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 and land improvements and antique automobile which are not depreciated. Depreciation is recognized in expenses and gross claims and adjustment expenses. Depreciation is provided on a straight-line basis for computer equipment and declining balance basis for the remaining tangible assets over the estimated useful lives of the assets.

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

Intangible Assets

Intangible assets consist of computer software which is not integral to the computer hardware owned by the Company. Computer software is initially recorded at cost and subsequently measured at cost less accumulated depreciation. Computer software is depreciated on a straight-line basis over its estimated useful life of two years.

		2022		
	Useful Life	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land and Land Improvements	**N/A**	**$ 475**	**$ -**	**$ 475**
Building - Strathroy	**25 years**	**1,802**	**(518)**	**1,284**
Building - Zurich	**40 years**	**826**	**(41)**	**785**
Outbuilding	**25 years**	**37**	**(3)**	**34**
Parking Lot	**13 years**	**74**	**(44)**	**30**
Office Furniture and Equipment	**5 years**	**275**	**(218)**	**57**
Computer Equipment	**3 to 6 years**	**658**	**(328)**	**330**
Automotive Equipment	**N/A**	**28**	**-**	**28**
Computer Software	**2 years**	**27**	**(27)**	**-**
Total		**$ 4,202**	**$ (1,179)**	**$ 3,023**

December 31, 2022 (in thousands of dollars)

15. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

		2021		
	Useful Life	Cost	Accumulated Depreciation	Net Book Value
Land and Land Improvements	N/A	$ 475	$ -	$ 475
Building - Strathroy	25 years	1,802	(465)	1,337
Building - Zurich	40 years	826	(21)	805
Outbuilding	25 years	35	(1)	34
Parking Lot	13 years	74	(41)	33
Office Furniture and Equipment	5 years	268	(205)	63
Computer Equipment	3 to 6 years	601	(190)	411
Automotive Equipment	N/A	28	-	28
Computer Software	2 years	27	(18)	9
Total		$ 4,136	$ (941)	$ 3,195

16. RETIREMENT BENEFITS

Pension Plan

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 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 current employees hired by the former Hay Mutual Insurance Company prior to July 1, 2013. The plan is a money purchase plan, with a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

The amount contributed to the defined benefit plan for 2022 was $75 (2021 - $81). The contributions were made for current service and these have been recognized in net income. These contributions amount to 3.6% of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year. Based on the 2021 pension valuation filed with the FSRA the plan was in a surplus position and no special payments were required. The next actuarial valuation to be filed under the Ontario Pension Benefits Act will be as of December 31, 2024.

Due to the complexity of the valuation and its long-term nature, the funding valuation is highly sensitive to changes in the assumptions, which are reviewed at each reporting date. The COVID-19 crisis has created additional uncertainty which could impact assumptions going forward. This uncertainty could create volatility in the funding status of the plan.

Eligible employees and sales agents hired by the former Hay Mutual Insurance Company after July 1, 2013 and all current employees and sales agents participate in the defined contribution pension plan.

Expected contributions to the plans for the next annual reporting period amount to $304, which is based on payments made to the pension plans during the current fiscal year.

17. 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:

December 31, 2022 (in thousands of dollars)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

	2022	2021
Compensation		
Salaries, benefits and directors' fees	$ **907**	$ 894
Pension benefits	**67**	70
	$ **974**	$ 964
Premiums	$ **140**	$ 133
Claims paid	$ **4**	$ 9

Amounts owing to key management personnel at December 31, 2022 are $nil (2021 - $nil) and amounts owing from key management personnel at December 31, 2022 are $11 (2021 - $12). The amounts are included in accounts payable and accrued liabilities and due from Members on the statement of financial position.

18. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

Certain new standards, amendments to standards, and interpretations were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after January 1, 2023 or later that the Company has decided not to adopt early.

Of those new standards, interpretations and amendments that are not yet effective, IFRS 17 Insurance Contracts is expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 17 Insurance Contracts ("IFRS 17")

In May 2017, the IASB issued IFRS 17 to establish a global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020. IFRS 17 replaces existing accounting under IFRS 4. IFRS 17 is effective beginning on January 1, 2023 with a transition date of January 1, 2022 and will be applied retrospectively.

The below analysis of the expected qualitative impacts as a result of IFRS 17 are not exhaustive. The Company has not completed the IFRS 17 period end reporting for a portion of 2022 given the timing of this reporting. The Company's expected key policies around these topics are discussed further below.

The Company continues to assess the impact of these changes on the financial statements, however the primary driver of this change includes changes in the discount rate and risk adjustment applied to the liabilities for incurred claims, and expensing deferred acquisition costs.

The Company is still evaluating the impact of IFRS 17 on 2022 net income. Change in net income is not expected to be significant at this time. The potential impacts to net income are:

- Reduction from recognition of onerous contract losses

- Increased income from changes in discount rate accretion of the liabilities for incurred claims

- Changes from expensing deferred acquisition costs

While the Company continues to finalize its application of this standard, its assessment of the qualitative implications of this standard, including consideration of any FSRA requirements, are as follows:

- Scope: IFRS 17 introduces scope exemptions for specific types of contracts. The Company does not expect significant change in the scope of insurance contracts between IFRS 4 and IFRS 17.

- Level of aggregation: IFRS 17 requires groups of contracts to be aggregated and measured based on contracts subject to similar risks and managed together, profitability, and contracts issued not more than one year apart. The Company determines contracts subject to similar risks and managed together based on product lines. The Company will cohort its new business using annual cohorts. When an insurance contract is written, it will be assigned a profitability group based on the expected profitability on the date of initial recognition. The level of aggregation requirements do not permit the offsetting

18. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE (CONTINUED)

of gains and losses between groups of insurance contracts.

- Measurement models: Insurance contract liabilities for each group of insurance contracts represent the sum of the liability for incurred claims and liability for remaining coverage. The Company expects all of its liabilities will be measured using the Premium allocation approach (PAA). When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment for short duration contracts and therefore, the Company does not expect a significant impact to measurement. The Company primarily issues insurance contracts with a coverage period of 12 months or less, which automatically qualify for the Premium allocation approach (PAA). For these types of contracts, the Company will expense insurance acquisition cash flows as they are incurred. The PAA does not have the concept of a contractual service margin and therefore, upon transition, the insurance contract liabilities and reinsurance held assets will be recorded on a fully retrospective basis.

- When measuring the liabilities for incurred claims, IFRS 17 requires:

  - Estimates of future cash flows to be discounted to reflect the time value of money and financial risk related to those cash flows, unless the Company expects claims to be paid in one year or less from the date it was incurred. The methodology for determining the discount rate is not prescribed, therefore discount rates will be based on a risk-free rate plus an illiquidity premium reflective of the cash flow characteristics of the respective insurance contract.
  - An explicit risk adjustment for non-financial risk which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflects the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty that arises from non-financial risk. IFRS 4 required a risk margin for financial risks (i.e. investment risk) which is not permitted by IFRS 17.

- Onerous contracts: IFRS 17 requires the identification of groups of onerous contracts when facts and circumstances indicate a loss for PAA contracts. When onerous contracts are identified, the Company is required to recognize a loss immediately in the statement of profit or loss along with an increase in the insurance contract liability known as a "loss component" to appropriately reflect the timing of losses. The amount of loss from onerous contracts written in a year is a required disclosure. The Company is finalizing its evaluation of onerous contracts initially recognized in 2022 and has established a mechanism for identifying onerous contracts beyond the transition date.

- Reinsurance contracts held: The Company will apply the PAA to its reinsurance contracts held which is similar to how they are measured under IFRS 4. When measuring the asset for incurred claims it will include any risk of non-performance of the reinsurer.

- Presentation and disclosure: IFRS 17 introduces changes to the way in which the Company will present and disclose financial results. Insurance contract liabilities presented in the balance sheets will consist of premiums receivable, unearned premiums, onerous loss component (if applicable), discounted and risk adjusted claim liabilities, and other related liabilities. Reinsurance contract assets will be separately presented in the balance sheets and will include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The reclassification of amounts on the balance sheets are expected to result in a reduction in assets and liabilities of the Company. The statement of comprehensive income will no longer include premiums written, instead it will include an insurance service result comprising insurance revenue and insurance service expenses. Insurance finance income or expense will be presented within investment result. There will be significant insurance contract roll-forward schedules, as well as some changes to the claims development table to reconcile to the liabilities for incurred claims.