AXIOM MUTUAL INSURANCE COMPANY

Financial Statements

For the year ended December 31, 2025

Axiom Mutual Insurance Company

Financial Statements

For the year ended December 31, 2025

Table of Contents

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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, 2025
- the statement of comprehensive income for the year then ended
- the statement of 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 material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the 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.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of 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 19, 2026

Axiom Mutual Insurance Company

Statement of Financial Position

As at the date
[Expressed in thousands of dollars]

	Note	**December 31, 2025**	December 31, 2024
Assets			
Cash		**4,639**	4,622
Investment income accrued		**531**	485
Due from Facility Association		**276**	245
Prepaid expenses		**163**	170
Investments	4	**94,024**	90,960
Reinsurance contract assets	3	**13,248**	13,645
Investment property	5	**628**	628
Other receivables		**5**	—
Property, plant and equipment and right of use assets	11	**3,212**	3,467
Income taxes recoverable		**1,090**	—
Deferred income taxes	9	**206**	107
		118,022	114,329
Liabilities			
Accounts payable and accrued liabilities		**1,549**	1,626
Income taxes payable		**—**	2,099
Insurance contract liabilities	3	**42,785**	39,404
		44,334	43,129
Members' Surplus			
Unappropriated Members' Surplus		**73,688**	71,200
		118,022	114,329

Signed on behalf of the Board by:

____________________ Laurie Bruvall, Director

____________________ Errol Butler, Director

The accompanying notes are an integral part of these financial statements

Axiom Mutual Insurance Company

Statement of Comprehensive Income

For the year ended
[Expressed in thousands of dollars]

	Note	**December 31, 2025**	December 31, 2024
Insurance revenue	3	**40,432**	37,663
Insurance service expense	3	**(33,824)**	(29,702)
Insurance service result before reinsurance contracts held		**6,608**	7,961
Net expense from reinsurance contracts held	3	**(6,507)**	(4,630)
Insurance service result		**101**	3,331
Total investment income	6	**5,466**	7,424
Net finance expense for insurance contracts issued	3	**(1,089)**	(1,514)
Net finance income for reinsurance contracts held	3	**446**	551
Net insurance financial result		**(643)**	(963)
Other income		**385**	4
Other expenses	3	**(1,861)**	(4,514)
Income before income taxes		**3,448**	5,282
Provision for income taxes	9	**(960)**	(2,242)
Comprehensive income for the year		**2,488**	3,040

The accompanying notes are an integral part of these financial statements

Axiom Mutual Insurance Company

Statement of Members’ Surplus

For the year ended
[Expressed in thousands of dollars]

	December 31, 2025	December 31, 2024
Balance, beginning of year	**71,200**	68,160
Comprehensive income for the year	**2,488**	3,040
Balance, end of year	**73,688**	71,200

The accompanying notes are an integral part of these financial statements

Axiom Mutual Insurance Company

Statement of Cash Flows

For the year ended
[Expressed in thousands of dollars]

	December 31, 2025	December 31, 2024
Operating activities		
Comprehensive income for the year	**2,488**	3,040
Adjustment for non-cash items:		
Depreciation	**432**	433
Goodwill impairment	**—**	2,800
Interest and dividend income	**(5,008)**	(3,451)
Provision for income taxes	**960**	2,242
Realized gain on disposal of investments	**(86)**	(1,133)
Unrealized gain on investments	**(739)**	(3,137)
	(4,441)	(2,246)
Changes in working capital:		
Change in Due from Facility Association	**(31)**	(13)
Change in Other receivables	**(5)**	—
Change in Prepaid expenses	**7**	(31)
Change in Reinsurance contract assets	**397**	(1,897)
Change in Accounts payable and accrued liabilities	**77**	124
Change in Insurance contract liabilities	**3,381**	982
	3,826	(835)
Cashflows related to interest, dividends and income taxes:		
Interest and dividends received	**4,966**	3,188
Income taxes paid	**(4,406)**	(629)
	560	2,559
Total cash inflows from operating activities	**2,433**	2,518
Investing activities		
Sale and maturity of investments	**3,000**	13,390
Purchase of investments	**(5,239)**	(15,871)
Purchase of property, plant and equipment and right of use assets	**(177)**	(109)
Cash outflows from investing activities	**(2,416)**	(2,590)
Net decrease in cash	**17**	(72)
Cash, beginning of year	**4,622**	4,694
Cash, end of year	**4,639**	4,622

The accompanying notes are an integral part of these financial statements

1. Nature of business

The 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 18, 2026.

2. Basis for presentation

[a] Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards ["IFRS"] as issued by the International Accounting Standards Board ["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"] and insurance and reinsurance contract assets and liabilities which are measured using acceptable actuarial practices.

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:

- Insurance contracts and reinsurance contracts held including classification of contracts, level of aggregation, the determination of the liability for remaining coverage, liability for incurred claims, discount rates and risk adjustment for non-financial risk *[Note 3]*.

2. Basis for presentation (continued)

[c] Judgement and estimates (continued)

- 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 4]*.
- The measurement of the fair value of financial instruments with significant unobservable inputs *[Note 4]*.

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.

[d] Changes in accounting policies and disclosures

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. Insurance and reinsurance contracts

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

[a] Insurance and reinsurance contracts accounting policy

[i] Insurance and reinsurance contracts accounting classification

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

[ii] Separating components from insurance and reinsurance contracts

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

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

[iii] Levels of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels, which were higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios.

3. Insurance and reinsurance contracts (continued)

[a] Insurance and reinsurance contracts accounting policy (continued)

[iii] Levels of aggregation (continued)

Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

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

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

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

[iv] Recognition

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

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

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

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

3. Insurance and reinsurance contracts (continued)

[a] Insurance and reinsurance contracts accounting policy (continued)

[iv] Recognition (continued)

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

[v] Contract boundary

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

A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular Member and, as a result, can set a price or level of coverage that fully reflects those risks; or
- Both of the following criteria are satisfied:

  [a] The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of coverage that fully reflects the risk of that portfolio

  [b] The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

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

3. Insurance and reinsurance contracts (continued)

[a] Insurance and reinsurance contracts accounting policy (continued)

[vi] Measurement – Premium allocation approach

	Adopted approach
Premium Allocation Approach ["PAA"] eligibility	Coverage period for all insurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	For all contracts, insurance acquisition cash flows are expensed in the period.
Liability for Remaining Coverage ["LFRC"], adjusted for financial risk and time value of money	For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.
Liability for Incurred Claims ["LFIC"], Asset for Incurred Claims ["AFIC"] adjusted for time value of money	For all business lines, adjustments are made for the time value of money when assessing the incurred claims.
Insurance and reinsurance finance income and expense	For all contracts, the change in LFIC and AFIC as a result of changes in discount rates will be captured within profit or loss.

[vii] Insurance contracts – initial measurement

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

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

- The premiums, if any, received at initial recognition; 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.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

[viii] Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues [i.e. the PAA].

3. Insurance and reinsurance contracts (continued)

[a] Insurance and reinsurance contracts accounting policy (continued)

[viii] Reinsurance contracts held – initial measurement (continued)

However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognized a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognized on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

[ix] Insurance contracts – subsequent measurement

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

- Plus premiums received in the period,
- Minus the amount recognized as insurance revenue for the services provided in the period.

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

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

3. Insurance and reinsurance contracts (continued)

[a] Insurance and reinsurance contracts accounting policy (continued)

[x] Reinsurance contracts – subsequent measurement

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

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

[xi] Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts [issued or expected to be issued] that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company chooses to expense insurance acquisition cash flows as they occur.

[xii] Insurance contracts – modification and derecognition

The Company derecognizes insurance contracts when:

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

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

[xiii] Presentation

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

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

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

3. Insurance and reinsurance contracts (continued)

[a] Insurance and reinsurance contracts accounting policy (continued)

[xiv] Insurance revenue

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

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

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

[xv] Loss components

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

[xvi] Loss-recovery components

As described in note 3 [a] [xv] under “Insurance and reinsurance contracts accounting policy” above, where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

[xvii] Insurance finance income and expense

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

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

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[a] Insurance and reinsurance contracts accounting policy (continued)

[xvii] Insurance finance income and expense (continued)

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income before tax and Members' surplus. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

	Change in interest rate	**Effect on income before taxes**	**Effect on Members' surplus**	Effect on income before taxes	Effect on Members' surplus
		2025		2024	
Insurance and reinsurance contracts, gross	+100 bps	**510**	**375**	496	365
Insurance and reinsurance contracts, gross	-100 bps	**(531)**	**(390)**	(517)	(380)
Insurance and reinsurance contracts, net	+100 bps	**244**	**180**	216	159
Insurance and reinsurance contracts, net	-100 bps	**(253)**	**(186)**	(225)	(165)

[xviii] Net income or expense from reinsurance contracts held

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

[b] Significant judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3. Insurance and reinsurance contracts (continued)

[b] Significant judgements (continued)

Insurance contracts

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

[i] Liability for remaining coverage

Onerous groups

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

[ii] Time value of money

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

[iii] Liability for incurred claims

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

[iii] Liability for incurred claims

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim [including claims handling costs], and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

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

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[b] Significant judgements (continued)

[iii] Liability for incurred claims (continued)

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

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

[iv] Discount rates

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

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

	1 year		**3 years**		**5 years**		**More than 5 years**	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024
Insurance contract liabilities	**2.33%**	3.06%	**2.75%**	3.01%	**3.11%**	3.20%	**3.94%**	3.84%

[v] Risk adjustment for non-financial risk

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

The Company uses the Cost of Capital approach to estimate the risk adjustment based on a target return on capital, reflecting the compensation required for non-financial risk. Through this evaluation of future cash flow distributions, the Company has determined that the required compensation is between a 50-60% [2024 - 58%] confidence level. A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed.

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[c] Roll forward of net asset or liability for insurance contracts

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below. The Company provides disclosure for its entire portfolio on an overall basis without further disaggregating information based on major product lines.

	2025				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities, beginning of year	10,385	—	28,504	515	39,404
Insurance contract assets, beginning of year	—	—	—	—	—
Net balance (asset) liability, beginning of year	**10,385**	—	**28,504**	**515**	**39,404**
Insurance revenue	(40,432)	—	—	—	(40,432)
Incurred claims and other directly attributable expenses	—	—	36,165	196	36,361
Losses on onerous contracts and reversals of those losses	—	—	—	—	—
Changes that relate to past service – adjustments to the liability for incurred claims	—	—	(2,373)	(164)	(2,537)
Insurance service expense	—	—	33,792	32	33,824
Insurance service result	**(40,432)**	**—**	**33,792**	**32**	**(6,608)**
Insurance finance expenses	—	—	1,089	—	1,089
Total changes in the statement of comprehensive income	**(40,432)**	**—**	**34,881**	**32**	**(5,519)**
Cash flows					
Premiums received	40,968	—	—	—	40,968
Claims and other directly attributable expenses paid	—	—	(32,068)	—	(32,068)
Total cash flows	**40,968**	**—**	**(32,068)**	**—**	**8,900**
Net balance (asset) liability, end of year	**10,921**	**—**	**31,317**	**547**	**42,785**
Insurance contract liabilities, end of year	10,921	—	31,317	547	42,785
Insurance contract assets, end of year	—	—	—	—	—
Net balance (asset) liability, end of year	**10,921**	—	**31,317**	**547**	**42,785**

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

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

	2024				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities, beginning of year	10,078	—	27,789	555	38,422
Insurance contract assets, beginning of year	—	—	—	—	—
Net balance (asset) liability, beginning of year	10,078	—	27,789	555	38,422
Insurance revenue	(37,663)	—	—	—	(37,663)
Incurred claims and other directly attributable expenses	—	—	34,117	169	34,286
Losses on onerous contracts and reversals of those losses	—	—	—	—	—
Changes that relate to past service – adjustments to the liability for incurred claims	—	—	(4,375)	(209)	(4,584)
Insurance service expense	—	—	29,742	(40)	29,702
Insurance service result	(37,663)	—	29,742	(40)	(7,961)
Insurance finance expenses	—	—	1,514	—	1,514
Total changes in the statement of comprehensive income	(37,663)	—	31,256	(40)	(6,447)
Cash flows					
Premiums received	37,970	—	—	—	37,970
Claims and other directly attributable expenses paid	—	—	(30,541)	—	(30,541)
Total cash flows	37,970	—	(30,541)	—	7,429
Net balance (asset) liability, end of year	10,385	—	28,504	515	39,404
Insurance contract liabilities, end of year	10,385	—	28,504	515	39,404
Insurance contract assets, end of year	—	—	—	—	—
Net balance (asset) liability, end of year	10,385	—	28,504	515	39,404

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[d] Roll forward of net asset or liability for reinsurance contracts

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims is disclosed in the table below. The Company provides disclosure for its entire reinsurance portfolio on an overall basis without further disaggregating information based on specific reinsurance lines or segments.

	2025				
	Asset for remaining coverage		**Amounts recoverable on incurred claims**		
	Excluding loss-recovery component	**Loss-recovery component**	**Estimates of present value of future cash flows**	**Risk adjustment**	**Total**
Reinsurance contract assets, beginning of year	—	—	13,427	218	13,645
Reinsurance contract liabilities, beginning of year	—	—	—	—	—
Net balance asset (liability), beginning of year	**—**	**—**	**13,427**	**218**	**13,645**
Allocation of reinsurance premium	(6,286)	—	—	—	(6,286)
Amounts recoverable for claims and other expenses	—	—	2,606	(18)	2,588
Loss-recovery on onerous underlying contracts and adjustments	—	—	—	—	—
Changes to amounts recoverable for incurred claims	—	—	(2,436)	(373)	(2,809)
Amounts recoverable from reinsurers for incurred claims	—	—	170	(391)	(221)
Net income (expense) from reinsurance contracts held	**(6,286)**	**—**	**170**	**(391)**	**(6,507)**
Reinsurance finance income	—	—	446	—	446
Total changes in the statement of comprehensive income	**(6,286)**	**—**	**616**	**(391)**	**(6,061)**
Cash flows					
Premiums paid	6,286	—	—	—	6,286
Amounts received	—	—	(622)	—	(622)
Total cash flows	**6,286**	**—**	**(622)**	**—**	**5,664**
Net balance asset (liability), end of year	**—**	**—**	**13,421**	**(173)**	**13,248**
Reinsurance contract assets, end of year	—	—	13,421	(173)	13,248
Reinsurance contract liabilities, end of year	—	—	—	—	—
Net balance asset (liability), end of year	—	—	**13,421**	**(173)**	**13,248**

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[d] Roll forward of net asset or liability for reinsurance contracts (continued)

	2024				
	Asset for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment	Total
Reinsurance contract assets, beginning of year	—	—	11,524	224	11,748
Reinsurance contract liabilities, beginning of year	—	—	—	—	—
Net balance asset (liability), beginning of year	—	—	11,524	224	11,748
Allocation of reinsurance premium	(6,004)	—	—	—	(6,004)
Amounts recoverable for claims and other expenses	—	—	1,967	51	2,018
Loss-recovery on onerous underlying contracts and adjustments	—	—	—	—	—
Changes to amounts recoverable for incurred claims	—	—	(587)	(57)	(644)
Amounts recoverable from reinsurer for incurred claims	—	—	1,380	(6)	1,374
Net income (expense) from reinsurance contracts held	(6,004)	—	1,380	(6)	(4,630)
Reinsurance finance income	—	—	551	—	551
Total changes in the statement of comprehensive income	(6,004)	—	1,931	(6)	(4,079)
Cash flows					
Premiums paid	6,004	—	—	—	6,004
Amounts received	—	—	(28)	—	(28)
Total cash flows	6,004	—	(28)	—	5,976
Net balance asset (liability), end of year	—	—	13,427	218	13,645
Reinsurance contract assets, end of year	—	—	13,427	218	13,645
Reinsurance contract liabilities, end of year	—	—	—	—	—
Net balance asset (liability), end of year	—	—	13,427	218	13,645

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[e] Insurance service expense

The breakdown of insurance service expense is presented below:

	2025	2024
Claims and benefits	**33,824**	29,702
Salaries and employee benefits	**767**	643
Directors remuneration	**214**	183
Professional fees [other than legal]	**226**	340
Legal fees	**40**	9
Depreciation and amortization	**65**	61
Occupancy expenses [including rent, leasing and maintenance]	**89**	83
Information technology	**206**	167
Other general expenses	**254**	228
	35,685	31,416
Represented by:		
Insurance service expense	**33,824**	29,702
General and operating expenses	**1,861**	1,714
	35,685	31,416

[f] 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.

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

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

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[f] Sensitivities (continued)

2025

	Change in assumptions	**Impact on income before tax, gross of reinsurance**	**Impact on income before tax, net of reinsurance**	**Impact on Members' surplus, gross of reinsurance**	**Impact on Members' surplus, net of reinsurance**
Expected loss	+5%	(527)	(319)	(387)	(235)
Inflation rate	+1%	(541)	(258)	(397)	(190)
Expected loss	-5%	528	316	388	232
Inflation rate	-1%	529	254	389	186

2024

	Change in assumptions	Impact on income before tax, gross of reinsurance	Impact on income before tax, net of reinsurance	Impact on Members' surplus, gross of reinsurance	Impact on Members' surplus, net of reinsurance
Expected loss	+5%	(523)	(289)	(385)	(213)
Inflation rate	+1%	(528)	(230)	(388)	(169)
Expected loss	-5%	523	288	385	212
Inflation rate	-1%	516	225	379	166

[g] Claim development

The principal risk the Company faces under insurance contracts is that the actual claims and claim payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual claims 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.

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[g] Claim development (continued)

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 behavior 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 claims 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.

	2025			2024		
	Estimates of the present value of future cash flows	**Risk adjustment**	**Total**	Estimates of the present value of future cash flows	Risk adjustment	Total
Total gross liabilities for incurred claims	**31,317**	**547**	**31,864**	28,504	515	29,019
Amounts recoverable from reinsurance	**(13,421)**	**173**	**(13,248)**	(13,427)	(218)	(13,645)
Total net liabilities for incurred claims	**17,896**	**720**	**18,616**	15,077	297	15,374

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[g] Claim development (continued)

Gross undiscounted liabilities for incurred claims for 2025

Gross claims	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**
Gross estimate of cumulative claims cost											
At the end of accident year	8,421	11,186	11,229	14,284	13,269	24,711	26,697	23,578	24,221	25,228	
One year later	9,782	10,803	9,734	14,458	15,022	22,956	24,592	21,850	21,455		
Two years later	8,270	11,856	10,039	17,884	12,839	22,144	24,322	23,148			
Three years later	8,069	12,793	10,020	15,950	10,064	20,334	22,971				
Four years later	7,316	11,762	9,567	15,530	10,130	20,182					
Five years later	10,308	10,987	9,244	15,112	10,336						
Six years later	9,431	10,840	9,022	15,347							
Seven years later	8,322	10,842	9,015								
Eight years later	8,322	10,901									
Nine years later	8,322										
Current estimate of cumulative claims cost	8,322	10,901	9,015	15,347	10,336	20,182	22,971	23,148	21,455	25,228	
Cumulative payments made to date	8,322	10,898	9,015	12,837	10,019	18,875	17,534	18,068	16,609	11,974	
Outstanding claims	**—**	**3**	**0**	**2,510**	**317**	**1,307**	**5,437**	**5,080**	**4,846**	**13,254**	**32,754**
Outstanding claims 2014 and prior											**170**
Risk adjustment											**547**
Effect of discounting											**(1,607)**
Total liabilities for incurred claims											**31,864**

[Expressed in thousands of dollars]

3. Insurance and reinsurance contracts (continued)

[g] Claim development (continued)

Net undiscounted liabilities for incurred claims for 2025

Net of reinsurance	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
Net estimate of cumulative claims cost											
At the end of accident year	7,578	9,615	9,260	10,651	10,511	20,776	20,290	20,630	21,869	22,264	
One year later	8,070	9,583	8,536	10,600	12,113	20,224	19,519	20,082	20,272		
Two years later	7,296	10,103	8,647	12,093	10,529	19,324	18,102	20,539			
Three years later	7,297	9,362	8,518	11,185	9,515	18,202	18,857				
Four years later	6,825	9,339	8,334	11,065	9,424	18,288					
Five years later	7,480	9,179	8,162	10,668	9,686						
Six years later	7,317	9,039	7,948	10,608							
Seven years later	6,884	9,040	7,943								
Eight years later	6,884	9,100									
Nine years later	6,884										
Net current estimate of cumulative claims cost	6,884	9,100	7,943	10,608	9,686	18,288	18,857	20,539	20,272	22,264	
Net cumulative payments made to date	6,884	9,097	7,943	12,156	9,369	17,711	16,631	17,451	16,589	11,972	
Net outstanding claims	**—**	**3**	**—**	(1,548)	317	577	2,226	3,088	3,683	10,292	18,638
Net outstanding claims 2014 and prior											**—**
Risk adjustment											**720**
Effect of discounting											**(742)**
Total net liabilities for incurred claims											**18,616**

4. Financial instruments

[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

[i] Financial assets

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. In addition, judgement is used in concluding which model aligns best with its core business objectives and practices.

Financial assets are classified as fair value through profit or loss ["FVTPL"], fair value through other comprehensive income ["FVOCI"], or amortized cost based on their characteristics and purpose of their acquisition.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ["SPPI"].

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4. Financial instruments (continued)

[b] Classification and subsequent measurement (continued)

[i] Financial assets (continued)

The Company's financial assets at amortized cost include investment income accrued, due from Facility Association and other receivables.

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.

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 judgement 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.

[ii] Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost. Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and income taxes payable.

[Expressed in thousands of dollars]

4. Financial instruments (continued)

[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 of investments

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

	2025	2024
Term deposits, maturing March 13, 2026 to June 19, 2028 with fixed interest rates of 4.56% to 5.15%	**4,462**	7,462
Corporate loan	**250**	250
Pooled funds		
Canadian fixed income	**42,603**	40,175
Canadian commercial mortgages	**14,232**	13,497
Canadian equity	**24,604**	21,953
Global equity	**2,014**	1,750
	83,453	77,375
Other investments		
Collectivfide Insurance Group Inc. – equity investment	**5,807**	5,821
Fire Mutuals Guarantee Fund	**52**	52
	5,859	5,873
Total investments	**94,024**	90,960

[e] Financial risks

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 78% [2024 - 78%] of bonds rated A or better. The Company's investment policy does not include single-issuer limits for bonds, as all fixed-income holdings are invested through diversified investment funds. 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.

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.

[Expressed in thousands of dollars]

4. Financial instruments (continued)

[e] Financial risks (continued)

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 10% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include term deposits with an original maturity of less than one year.

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

The maturity profile of the Company's financial assets and financial liabilities [excluding equities, equity and commercial mortgages pooled funds, which have no set maturity] are summarized in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows [principal and interest] and are analyzed by their expected payment dates. Reinsurance contract assets and liability for incurred claims are based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	2025						
	Up to 1 year	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**	**Total**
Financial assets							
Cash	4,639	—	—	—	—	—	4,639
Due from Facility Association	—	—	—	—	—	276	276
Investments	1,069	5,888	7,445	3,565	8,073	21,275	47,315
Investment income accrued	531	—	—	—	—	—	531
Insurance assets							
Reinsurance contract assets	5,305	2,313	2,067	1,525	1,183	1,028	13,421
Total assets	11,544	8,201	9,512	5,090	9,256	22,579	66,182
Accounts payable and accrued liabilities	1,432	116	—	—	—	—	1,548
Income taxes payable	—	—	—	—	—	—	—
Liability for incurred claims	15,182	5,670	4,276	2,973	1,805	1,411	31,317
Total liabilities	16,614	5,786	4,276	2,973	1,805	1,411	32,865
Net liquidity gap	(5,070)	2,415	5,236	2,117	7,450	21,168	33,316

[Expressed in thousands of dollars]

4. Financial instruments (continued)

[e] Financial risks (continued)

	2024						
	Up to 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Financial assets							
Cash	4,622	—	—	—	—	—	4,622
Due from Facility Association	—	—	—	—	—	245	245
Investments	4,889	1,927	7,699	7,150	4,070	22,152	47,887
Investment income accrued	485	—	—	—	—	—	485
Insurance assets							
Reinsurance contract assets	4,794	2,501	1,937	2,294	893	1,008	13,427
Total assets	14,790	4,428	9,636	9,444	4,963	23,405	66,666
Accounts payable and accrued liabilities	1,335	175	116	—	—	—	1,626
Income taxes payable	2,099	—	—	—	—	—	2,099
Liability for incurred claims	13,044	4,866	3,753	3,766	1,635	1,440	28,504
Total liabilities	16,478	5,041	3,869	3,766	1,635	1,440	32,229
Net liquidity gap	(1,688)	(613)	5,767	5,678	3,328	21,965	34,437

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 67% 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 exchange traded 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 [Term deposits, fixed income pooled funds, corporate loan 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.

4. Financial instruments (continued)

[e] Financial risks (continued)

At December 31, 2025, a 1% move in interest rates, with all other variables held constant, could impact the market value of the Fixed Income pooled funds and Commercial Mortgages pooled fund by $2,223 [2024 - $1,669]. 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, Canadian equity pooled funds and Global exchange traded funds. As at December 31, 2025, 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 Canadian equity pooled funds and Global exchange traded funds of $2,609 [2024 - $2,927]. 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 25% of the market value of the portfolio. The total investment in preferred and common shares cannot exceed 25% of total assets.

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 $5,807 [2024 - $5,821].

Collectivfide Insurance Group Inc. is owned by 26 shareholders, all of which are Ontario Farm Mutuals, for the purposes of purchasing brokerages in Ontario to protect the Mutuals' collective interests.

[f] 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].

[Expressed in thousands of dollars]

4. Financial instruments (continued)

[f] Fair value measurement (continued)

	Level 1	Level 2	Level 3	Total
December 31, 2025				
Term deposits	—	4,462	—	4,462
Corporate Loan	—	250	—	250
Pooled funds	—	69,221	14,232	83,453
Other investments	—	52	5,807	5,859
	—	**73,985**	**20,039**	**94,024**
December 31, 2024				
Term deposits	—	7,462	—	7,462
Corporate Loan	—	250	—	250
Pooled funds	—	63,878	13,497	77,375
Other investments	—	52	5,821	5,873
	—	71,642	19,318	90,960

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2025 and 2024.

Reconciliation of Level 3 financial instruments:

	2025	2024
Balance, beginning of the year	**19,318**	18,262
Purchases	**737**	745
Fair value adjustments	**(16)**	311
Balance, end of the year	**20,039**	19,318

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. As at December 31, 2025, 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.

[Expressed in thousands of dollars]

5. Investment property

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

The fair value of the investment property is $980 [2024 - $980].

Investment property comprises property held to earn rental income and/or for capital appreciation. Investment property is initially measured at cost and subsequently carried under the cost model at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset; land is not depreciated. Investment property is assessed for impairment when indicators exist, with impairment losses and reversals recognized in profit or loss.

The investment property was subject to an opinion of market value prepared by a local accredited Member of the Appraisal Institute of Canada in December 2023. 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 is farmed by Company volunteers to cultivate crop with the proceeds being donated to local foodbanks.

6. Investment income

	2025	2024
Interest income	**2,797**	2,561
Dividend income	**2,211**	890
Realized gain on disposal of investments	**86**	1,133
Unrealized gain on investments	**739**	3,137
Investment expenses	**(367)**	(304)
Other income	**—**	7
	5,466	7,424

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 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, 2025, 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.

[Expressed in thousands of dollars]

8. Salaries, benefits and Directors' fees

	2025	2024
Underwriting salaries and benefits	**2,422**	2,157
Claims salaries and benefits	**1,076**	1,044
Sales salaries and commissions	**6,687**	6,175
Other salaries, benefits and Directors' fees	**981**	825
	11,166	10,201

9. Income taxes

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in comprehensive 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:

	2025	2024
Current tax		
Based on current year taxable income	**1,058**	2,343
Deferred tax		
Origination and reversal of temporary differences	**(98)**	(101)
Income tax expense	**960**	2,242

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

	2025	2024
Income before income taxes	**3,448**	5,282
Expected taxes based on the statutory rate of 26.5% [2024 - 26.5%]	**914**	1,400
Non-taxable income	**8**	10
Adjustments of prior years' income taxes	**—**	(10)
Other	**38**	100
Goodwill Impairment	**—**	742
Income tax expense	**960**	2,242

[Expressed in thousands of dollars]

9. Income taxes (continued)

The movement in deferred income tax liabilities and assets are as follows:

	2025		
	Opening balance, January 1	**Recognized in net income**	**Closing balance, December 31**
Deferred income tax liabilities			
Property, plant and equipment and right of use assets	(160)	19	(141)
Deferred income tax assets			
Actuarial liabilities	259	79	338
Other	9	—	9
2025 net deferred income tax asset movement	**108**	**98**	**206**

	2024 (Restated)		
	Opening balance, January 1	Recognized in net income	Closing balance, December 31
Deferred income tax liabilities			
Property, plant and equipment and right of use assets	(207)	47	(160)
Deferred income tax assets			
Actuarial liabilities	209	50	259
Other	4	4	8
2024 net deferred income tax asset movement	6	101	107

10. 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.

[Expressed in thousands of dollars]

10. Structured settlements, Fire Mutuals Guarantee Fund and financial guarantee contracts (continued)

These exposures represent financial guarantee contracts. The Company accounts for financial guarantee contracts in accordance with IFRS 17, Insurance Contracts. Amounts recoverable are included within the reinsurance contract assets on the statement of financial position.

11. Property, plant and equipment and right of use assets

Property, plant and equipment and right of use assets are 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 insurance service expense and other 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.

	2025			
	Useful life years	**Cost**	**Accumulated Depreciation**	**Net book value**
Land and land improvements	N/A	**475**	**—**	**475**
Building – Strathroy	25	**1,808**	**(666)**	**1,142**
Building – Zurich	40	**869**	**(106)**	**763**
Outbuilding	25	**37**	**(7)**	**30**
Parking lot	13	**204**	**(67)**	**137**
Office furniture and equipment	5	**300**	**(247)**	**53**
Computer equipment	3 to 6	**1,134**	**(841)**	**293**
Automotive equipment	N/A	**28**	**—**	**28**
Right of use assets	4	**699**	**(408)**	**291**
		5,554	**(2,342)**	**3,212**

	2024			
	Useful life years	Cost	Accumulated Depreciation	Net book value
Land and land improvements	N/A	475	—	475
Building – Strathroy	25	1,802	(619)	1,183
Building – Zurich	40	869	(84)	785
Outbuilding	25	37	(6)	31
Parking lot	13	204	(55)	149
Office furniture and equipment	5	275	(238)	37
Computer equipment	3 to 6	740	(427)	313
Automotive equipment	N/A	28	—	28
Right of use assets	4	699	(233)	466
		5,129	(1,662)	3,467

[Expressed in thousands of dollars]

12. 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 2025 was $70 [2024 - $80]. The contributions were made for current service and these have been recognized in net income. These contributions amount to 4.1% 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 2025 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, 2026.

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 $378, which is based on payments made to the pension plans during the current fiscal year.

13. Related party transactions

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

	2025	2024
Compensation		
Salaries, benefits and Directors’ fees	**1,213**	1,183
Pension benefits	**64**	73
	1,277	1,256
Insurance revenue	**215**	193
Claims paid	**33**	89

Amounts owing to key management personnel at December 31, 2025 are nil [2024 - nil] and amounts owing from key management personnel at December 31, 2025 are $30 [2024 - $28]. The amounts are included in insurance contract liabilities on the statement of financial position.

14. New standards, interpretations and amendments not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 9 and IFRS 7

Classification and measurements of financial instruments amendments are effective for annual reporting periods beginning on or after January 1, 2026.

The amendments to IFRS 9 *Financial Instruments* include guidance on the classification of financial assets, including those with contingent features.

The IASB has also amended IFRS 7 *Financial Instruments: Disclosures*. Companies will now be required to provide additional disclosures on financial assets and financial liabilities that have certain contingent features.

The amendments are not expected to have a material impact on the Company's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS1 Presentation of Financial Statements and applies for annual periods on or after January 1, 2027. The new accounting standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

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

The Company is currently assessing the impact of the new accounting standard.