Financial Statements of

SOUTHEASTERN MUTUAL INSURANCE COMPANY

And Independent Auditor's Report thereon

Year ended December 31, 2023

SOUTHEASTERN MUTUAL INSURANCE COMPANY

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Year ended December 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR’S REPORT

To the Policyholders of Southeastern Mutual Insurance Company

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of income and comprehensive income for the year then ended
- the statement of changes in equity 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 Company as at December 31, 2023, 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Changes in Accounting Policies and Comparative information

We draw your attention to Note 1(f) to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 9 and IFRS 17:

- as at and for the year ended December 31, 2022 has been adjusted
- as at January 1, 2022 has been derived from the financial statements for the year ended December 31, 2021 which have been adjusted (not presented herein).

Note 1(f) explain the reason for the adjustments.

Our opinion is not modified in respect of these matters.

Other Matter – Changes in Accounting Policies and Comparative information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to adjust certain comparative information presented:

- as at and for the year ended December 31, 2022
- as at January 1, 2022

In our opinion, such adjustments are appropriate and have been properly applied.

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

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Company's internal control.

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

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

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

- 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

Moncton, Canada
April 19, 2024

SOUTHEASTERN MUTUAL INSURANCE COMPANY

Statement of Financial Position

December 31, 2023, with comparative information for December 31, 2022 and January 1, 2022

	December 31, 2023	December 31, 2022	January 1, 2022
		(Restated note 1(f))	(Restated note 1(f))
Assets			
Cash and cash equivalents	$ 2,154,816	$ 3,475,943	$ 2,453,014
Invested assets (note 4)	30,908,338	26,224,191	25,760,909
Accrued investment income	166,000	151,000	93,000
Due from policyholders and other receivables	24,000	20,634	19,901
Income tax recoverable	–	289,687	–
Reinsurance contract assets (note 8)	2,528,164	1,408,224	543,238
Other assets	91,545	110,313	78,787
Property and equipment (note 5)	1,500,037	1,405,015	1,431,410
Intangible assets (note 6)	520,450	440,137	363,111
Total assets	$ 37,893,350	$ 33,525,144	$ 30,743,370
Liabilities			
Accounts payable and accrued liabilities	$ 144,582	$ 189,564	$ 144,777
Insurance contract liabilities (note 8)	11,076,620	10,272,083	7,677,507
Income taxes payable	653,754	–	303,465
Mortgage payable (note 7)	–	909,917	970,917
Deferred income taxes (note 10)	280,282	259,278	193,190
Total liabilities	12,155,238	11,630,842	9,289,856
Policyholders' surplus			
Policyholders’ equity	25,738,112	21,894,302	21,453,514
Total liabilities and equity	$ 37,893,350	$ 33,525,144	$ 30,743,370

See accompanying notes to the financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

SOUTHEASTERN MUTUAL INSURANCE COMPANY

Statement of Income and Comprehensive Income

For the year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated note 1(f))
Insurance revenue (note 11)	$ 28,456,541	$ 23,510,833
Insurance service expense (note 12)	(24,710,581)	(20,832,984)
Insurance service result before reinsurance contracts held	3,745,960	2,677,849
Net expense from reinsurance contracts held	(296,894)	(1,043,617)
Insurance service result	**3,449,066**	**1,634,232**
Net investment income (loss) (note 13)	2,691,741	(626,936)
Financial income (expenses) from insurance contracts issued	(344,249)	26,345
Financial income from reinsurance contracts held	62,148	753
Net insurance financial result	**2,409,640**	**(599,838)**
General and operating expenses (note 12)	(1,162,993)	(959,814)
Other income	524,604	432,903
Net income before income taxes	5,220,317	507,483
Income tax expense (note 10):		
Current	1,355,503	607
Deferred	21,004	66,088
	1,376,507	66,695
Net income and total comprehensive income	$ 3,843,810	$ 440,788

See accompanying notes to the financial statements.

SOUTHEASTERN MUTUAL INSURANCE COMPANY

Statement of Changes in Equity

For the year ended December 31, 2023, with comparative information for 2022

	Policyholders' equity	Accumulated other comprehensive income	Total
Balance, December 31, 2021 as previously reported	$ 18,249,398	$ 2,979,404	$ 21,228,802
Impact of initial application of IFRS 9	2,979,404	(2,979,404)	–
Impact of initial application of IFRS 17	224,712	–	224,712
Restated balance January 1, 2022	21,453,514	–	21,453,514
Net income and total comprehensive income, for the year, restated	440,788	–	440,788
Restated balance December 31, 2022	21,894,302	–	21,894,302
Net income and total comprehensive income, for the year	3,843,810	–	3,843,810
Balance, December 31, 2023	$ 25,738,112	$ –	$ 25,738,112

See accompanying notes to the financial statements.

SOUTHEASTERN MUTUAL INSURANCE COMPANY

Statement of Cash Flows

For the year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated note 1(f))
Cash flows provided by (used in)		
Operating activities:		
Net income	$ 3,843,810	$ 440,788
Adjustments for:		
Depreciation and amortization	213,432	199,104
Interest on mortgage	49,684	37,185
Current income tax expense	1,355,503	607
Deferred income tax expense	21,004	66,088
Unrealized (gain) loss on invested assets	(1,151,003)	1,454,731
Gain on disposal of invested assets	(723,493)	(181,724)
Interest income received	(530,894)	(396,482)
Dividends income	(286,351)	(249,589)
	2,791,692	1,370,708
Changes in non-cash operating working capital:		
Accrued investment income	(15,000)	(58,000)
Due from policyholders and other receivables	(3,366)	(733)
Insurance and reinsurance contracts	(315,403)	1,729,590
Other assets and liabilities	(26,214)	13,261
	2,431,709	3,054,826
Interest received	505,908	468,380
Dividends received	286,351	249,589
Income taxes paid	(412,062)	(593,759)
Net cash provided by operating activities	2,811,906	3,179,036
Financing activities:		
Interest paid on mortgage	(49,684)	(37,185)
Payments on mortgage payable	(909,917)	(61,000)
Net cash used in financing activities	(959,601)	(98,185)
Investing activities:		
Purchase of investments	(8,160,505)	(6,083,644)
Proceeds from disposal of investments	5,375,840	4,275,457
Purchase of property and equipment, and intangible assets	(388,767)	(249,735)
Net cash used in investing activities	(3,173,432)	(2,057,922)
Increase (decrease) in cash and cash equivalents	(1,321,127)	1,022,929
Cash and cash equivalents at beginning of year	3,475,943	2,453,014
Cash and cash equivalents at end of the year	$ 2,154,816	$ 3,475,943

See accompanying notes to the financial statements.

Organization and nature of business

Southeastern Mutual Insurance Company (the “Company”) is incorporated under the laws of New Brunswick and is subject to the Insurance Act of New Brunswick. The Company sells property and casualty insurance in New Brunswick (the “Province”). Products include personal, commercial and farm insurance. The Company’s head office is located in Riverview, New Brunswick.

1. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”).

The financial statements were approved by the Board of Directors on April 15, 2024.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis, except for the following items in the statement of financial position:

- Invested assets are measured at fair value; and
- Insurance and reinsurance contract assets and liabilities, which are measured using accepted actuarial practices.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements is discussed in Note 3.

1. Basis of presentation (continued):

(e) Statement of financial position:

The Company presents its statement of financial position in order of liquidity. Assets and liabilities that are expected to be recovered or settled in more than 12 months after the reporting date are summarized in Note 9 (b)(ii).

(f) Changes in accounting policies and disclosures:

In these financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time. The Company has restated comparative information for 2022.

The Company has also applied amendments to IAS 1 – Disclosure of Accounting Policies which is effective January 1, 2023. The amendments require the Company to disclose its material accounting policies, rather than its significant accounting policies. This change did not result in any additional accounting policies being disclosed.

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

(i) IFRS 17 Insurance contracts:

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023. The Company has restated comparative information for 2022. The nature of the changes in accounting policies can be summarised, as follows:

a) Changes to classification and measurement:

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

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

1. Basis of presentation (continued):

(f) Changes in accounting policies and disclosures (continued):

(i) IFRS 17 Insurance contracts (continued):

a) Changes to classification and measurement (continued):

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

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.

- Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.

- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company’s obligation to pay other incurred insurance expenses.

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

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

The Company’s classification and measurement of insurance and reinsurance contracts is explained in Note 2(f)(i).

1. Basis of presentation (continued):

(f) Changes in accounting policies and disclosures (continued):

(i) IFRS 17 Insurance contracts (continued):

b) Changes to presentation and disclosure:

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

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

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

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

Under IFRS 4, the Company presented:	IFRS 17 requires separate presentation of:
Premiums written Changes in unearned premiums Net premiums earned	Insurance revenue
Gross claims and adjusting expenses Commissions, premium tax and other acquisition expenses	Insurance service expenses
Premiums ceded to reinsurers and reinsurance recoveries	Income or expenses from reinsurance contracts held
Underwriting revenues	Insurance service results
	Insurance finance income or expenses Reinsurance finance income or expense

1. Basis of presentation (continued):

(f) Changes in accounting policies and disclosures (continued):

(i) IFRS 17 Insurance contracts (continued):

c) Transition:

On transition date, 1 January 2022, the Company:

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

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at January 1, 2022 are presented in the statement of changes in equity.

The following tables summarize the impact of IFRS 17 on the Company's statement of financial position on transition.

	IFRS 4	Change in measurement	Change in presentation	Change in IFRS 17
Total assets	$ 39,170,532	$ (160,262)	$ (8,266,900)	$ 30,743,370
Total liabilities	17,941,730	(384,974)	(8,266,900)	9,289,856
Equity	21,228,802	224,712	–	21,453,514

(ii) IFRS 9, Financial Instruments:

On January 1, 2023, the Company adopted IFRS 9, replacing IAS 39, *Financial Instruments*. The standard includes requirements on classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting.

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. IFRS 9 includes three principal measurement categories for financial assets – measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). It eliminates the previous IAS 39 categories of held-to maturity investments, loans and receivables, and available-for-sale financial assets.

1. Basis of presentation (continued):

(f) Changes in accounting policies and disclosures (continued):

(ii) IFRS 9, Financial Instruments (continued):

The Company will measure all invested assets at FVTPL. This resulted in the reclassification of assets previously carried at amortized cost or designated as available for-sale, where changes in fair value are recorded to unrealized gains and losses in OCI.

For financial liabilities, IFRS 9 largely retains the IAS 39 classification for classification for financial liabilities which can be measured at either amortized cost or FVTPL. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, and the Company restated the prior period.

The table below presents the classifications and carrying amount of financial assets and liabilities previously under IAS 39 and following transition to IFRS 9. The Company recognized the impacts of adoption through the elimination of balance in accumulated other comprehensive income ("AOCI") and the offsetting increase to the equity balance by $2,979,404 on January 1, 2022.

Financial instrument	Classification IAS 39	Classification IFRS 9
Cash and cash equivalents	Amortized cost	Amortized cost
Bond and debentures	AFS	FVTPL
Equities and preferred share investments	AFS	FVTPL
Accrued investment income	Loans and receivables	Amortized cost
Receivables and other assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Mortgage payable	Other financial liabilities	Amortized cost

The introduction of the IFRS 9 expected credit loss ("ECL") model, which replaced the IAS 39 incurred loss model, and the new general hedge accounting standard did not have a significant impact upon transition for the Company.

2. Summary of material accounting policies:

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

(a) Financial instruments:

(i) Financial assets:

Classification and measurement of financial instruments:

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 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 solely payments of principal and interest ("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.

2. Summary of material accounting policies (continued):

(a) Financial instruments (continued):

(i) Financial assets (continued):

The Company classifies financial assets into the following categories:

- financial assets held at FVTPL: cash and cash equivalents and invested assets
- financial assets at amortized cost: accrued investment income, receivables, and other assets

(ii) Financial liabilities:

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. 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 mortgage payable.

(iii) Fair value:

The fair value of a financial instrument on initial recognition is defined as the fair value of the consideration given. Subsequent to initial recognition, fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act.

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.

2. Summary of material accounting policies (continued):

(a) Financial instruments (continued):

(iv) Impairment:

a) Financial assets:

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets not classified as FVTPL. The Company measures loss allowances at an amount equal to lifetime ECL, except on other financial instruments for which the credit risk has not increased significantly since initial recognition, for which the amount recognized is the 12- month ECL.

The Company assesses at each reporting date whether a financial asset or group of financial assets, other than financial assets at FVTPL, is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When there is evidence of impairment, the value of these financial instruments is written down to the estimated net realizable value through investment income in the statement of income and comprehensive income.

b) Non-financial assets:

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less expected selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in income in the period in which the impairment is determined.

(b) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash on hand, balances with banks and highly liquid temporary investments which are readily convertible into cash, and which are subject to insignificant risk of changes in value.

2. Summary of material accounting policies (continued):

(c) Property and equipment:

(i) Recognition and measurement:

Property and equipment are recorded at cost or deemed cost less accumulated amortization and any recognized impairment loss plus subsequent additions. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the item disposed and are recognized on a net basis within income.

(ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance and repairs are expensed as incurred.

(iii) Depreciation:

Depreciation is recognized in net income and is amortized on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Rate
Building	2.5% to 10%
Furniture and fixtures	10%
Computer hardware	17%
Vehicles	20%

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

(d) Intangible assets:

Intangible assets consist of computer software which is not integral to the computer hardware owned by the Company. Software is recorded at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight-line basis over its estimated useful life of 3 to 12 years. The amortization expense is included within the operating expenses in the statement of income.

2. Summary of material accounting policies (continued):

(e) Income taxes:

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in income except to the extent that it relates to items recognized directly in policyholders' equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is a result of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for tax purposes. Deferred tax assets are recognized only to the extent it is probable that sufficient taxable income will be available against which the benefit of these deferred tax assets can be utilized.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in deferred income taxes related to a change in tax rates are recognized in income in the period in which the tax change was enacted or substantively enacted.

Deferred income tax assets and liabilities are offset when they arise from the same taxation authority and the Company has both the legal right and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(f) Insurance and reinsurance contracts accounting treatment:

(i) Insurance and reinsurance contracts accounting classification:

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

(ii) Separating components from insurance and reinsurance contracts:

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

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

2. Summary of material accounting policies (continued):

(f) Insurance and reinsurance contracts accounting treatment (continued):

(iii) Levels of aggregation:

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

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

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

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

(iv) Recognition:

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

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

2. Summary of material accounting policies (continued):

(f) Insurance and reinsurance contracts accounting treatment (continued):

(iv) Recognition (continued):

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

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

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

(v) Contract boundary:

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

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

2. Summary of material accounting policies (continued):

(f) Insurance and reinsurance contracts accounting treatment (continued):

(vi) Measurement – Premium Allocation Approach:

	IFRS 17 Options	Adopted approach
PAA Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for all insurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.	For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and are amortized over the coverage period of the related group.
Liability for Remaining Coverage ("LFRC"), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.
Liability for Incurred Claims, ("LFIC") adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all business lines, adjustments are made for the time value of money when assessing the incurred claims.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	For all contracts, the change in LFIC as a result of changes in discount rates will be captured within income.

2. Summary of material accounting policies (continued):

(f) Insurance and reinsurance contracts accounting treatment (continued):

(vii) Insurance contracts – initial measurement:

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

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

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

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

(viii) Reinsurance contracts held – initial measurement:

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

2. Summary of material accounting policies (continued):

(f) Insurance and reinsurance contracts accounting treatment (continued):

(ix) Insurance contracts – subsequent measurement:

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

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

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

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

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

(x) Reinsurance contracts – subsequent measurement:

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

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

2. Summary of material accounting policies (continued):

(f) Insurance and reinsurance contracts accounting treatment (continued):

(xi) Insurance acquisition cash flows:

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

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

(xii) Insurance contracts – modification and derecognition:

The Company derecognizes insurance contracts when:

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

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

(xiii) Presentation:

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

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

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

2. Summary of material accounting policies (continued):

(f) Insurance and reinsurance contracts accounting treatment (continued):

(xiv) Insurance revenue:

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

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

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

(xv) Loss components:

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

(xvi) Loss-recovery components:

As described in Note 2(f)(xv) above, where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(xvii) Insurance finance income and expense:

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

2. **Summary of material accounting policies (continued):**

(f) Insurance and reinsurance contracts accounting treatment (continued):

(xviii) Net income or expense from reinsurance contracts held:

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

3. **Accounting estimates and judgements:**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of a change in an accounting estimate is recognized in income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

(a) Significant judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

(i) Classification of financial assets: assign the business model within which the assets are held. See Note 2(a)(i).

(ii) Classification of insurance and reinsurance contracts. Assessing whether the contract transfers significant insurance risk. See Note 2(f)(i).

(iii) Level of aggregation of insurance and reinsurance contracts. Identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. See Note 2(f)(iii).

(iv) Measurement of insurance and reinsurance contracts. Determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract. See Note 3(b)(i)(d).

3. Accounting estimates and judgements (continued):

(b) Estimates and assumptions:

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next twelve months include the following notes:

(i) Insurance contracts and reinsurance contracts:

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

a) Liability for remaining coverage:

i. Onerous groups:

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

ii. Time value of money:

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

3. Accounting estimates and judgements (continued):

(b) Estimates and assumptions (continued):

(i) Insurance contracts and reinsurance contracts (continued):

b) Liability for incurred claims:

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

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

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

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

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

3. Accounting estimates and judgements (continued):

(b) Estimates and assumptions (continued):

(i) Insurance contracts and reinsurance contracts (continued):

c) 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	10 years
2023	4.52%	3.70%	3.53%	3.77%
2022	4.41%	3.97%	3.86%	4.08%

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in Note 8(c)(i).

d) Risk adjustment for non-financial risk:

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 61% level. That is, the Company has assessed that in order to be indifferent to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) they require an additional amount equivalent to the 61% level less the mean of an estimated probability distribution of the future cash flows relating to January 1, 2022 and December 31, 2022. The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 65% level as at December 31, 2023. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in Note 9 (a)(vi).

4. Invested assets:

(a) Classification:

Invested asset balances at fair values are summarized as follows:

	2023	2022
Bonds:		
Provincial and Municipal government	$ 5,406,394	$ 4,440,387
Corporate	11,691,978	11,778,089
Equities	12,188,377	9,084,589
Preferred shares	1,621,589	921,126
	$ 30,908,338	$ 26,224,191

(b) Fair value hierarchy:

The table below provides an analysis of the basis of measurement used to fair value financial instruments carried at fair value, categorized by the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: 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)

Level 3: Inputs for the asset or liability not based on observable market data (unobservable inputs).

4. Invested assets (continued):

(b) Fair value hierarchy (continued):

2023	Level 1	Level 2	Total
Bonds			
Provincial and Municipal government	$ –	$ 5,406,394	$ 5,406,394
Corporate	–	11,691,978	11,691,978
Equities	12,188,377	–	12,188,377
Preferred shares	1,621,589	–	1,621,589
	$ 13,809,966	$ 17,098,372	$ 30,908,338

2022	Level 1	Level 2	Total
Bonds			
Provincial and Municipal government	$ –	$ 4,440,387	$ 4,440,387
Corporate	–	11,778,089	11,778,089
Equities	9,084,589	–	9,084,589
Preferred shares	921,126	–	921,126
	$ 10,005,715	$ 16,218,476	$ 26,224,191

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and December 31, 2022. There were no Level 3 investments for the years ended December 31, 2023 and December 31, 2022.

The effective interest rate of the bonds portfolio held at December 31, 2023 is 3.97% (2022 - 3.53%).

5. Property and equipment:

	Land	Building	Furniture and fixtures	Computer hardware	Vehicles	Total
Cost or deemed cost:						
Balance December 31, 2022	$ 338,000	$ 1,224,372	$ 224,299	$ 571,649	$ 30,798	$ 2,389,118
Additions	–	72,719	20,747	143,926	–	237,392
Balance December 31, 2023	338,000	1,297,091	245,046	715,575	30,798	2,626,510
Accumulated depreciation:						
Balance December 31, 2022	–	394,648	165,431	393,226	30,798	984,103
Additions	–	60,781	12,615	68,974	–	142,370
Balance December 31, 2023	–	455,429	178,046	462,200	30,798	1,126,473
Net book value, December 31, 2023	$ 338,000	$ 841,662	$ 67,000	$ 253,375	$ –	$ 1,500,037
Cost or deemed cost:						
Balance December 31, 2021	$ 338,000	$ 1,188,001	$ 210,521	$ 504,339	$ 30,798	$ 2,271,659
Additions	–	36,371	13,778	67,310	–	117,459
Balance December 31, 2022	338,000	1,224,372	224,299	571,649	30,798	2,389,118
Accumulated depreciation:						
Balance December 31, 2021	–	337,648	154,244	320,641	27,716	840,249
Additions	–	57,000	11,187	72,585	3,082	143,854
Balance December 31, 2022	–	394,648	165,431	393,226	30,798	984,103
Net book value, December 31, 2022	$ 338,000	$ 829,724	$ 58,868	$ 178,423	$ –	$ 1,405,015

Depreciation of property and equipment included in operating expenses amounted to $142,370 (2022 - $143,854).

6. Intangible assets:

		Computer software
Cost:		
Balance, December 31, 2022	$	734,335
Additions		151,375
Balance, December 31, 2023	$	885,710
Accumulated amortization:		
Balance, December 31, 2022	$	294,198
Amortization for the year		71,062
Balance, December 31, 2023	$	365,260
Net book value:		
Balance, December 31, 2022	$	440,137
Balance, December 31, 2023		520,450

Amortization of intangible assets included in operating expenses amounted to $71,062 in 2023 (2022 - $55,250).

7. Mortgage payable

The Company's mortgage payable with Canadian Imperial Bank of Commerce repayable in monthly installments of $5,083 plus interest at a rate of CIBC prime plus 0.15% per annum was repaid in full during the year.

8. Insurance and reinsurance contracts:

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

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

	Liabilities for remaining coverage		Liabilities for incurred claims		
2023	Excluding loss component	Loss component	Estimates of PVFCF	Risk adjustments	Total
Insurance contract liabilities, beginning of year	**$ 3,722,277**	**$ –**	**$ 6,396,945**	**$ 152,861**	**$ 10,272,083**
Insurance revenue	(28,456,541)	–	–	–	(28,456,541)
Insurance service expenses:					
Incurred claims and other directly attributable expense	–	–	16,391,118	127,877	16,518,995
Insurance acquisition cash flows amortization	7,291,838	–	–	–	7,291,838
Changes that relate to past service – adjustments to the LIC	–	–	964,533	(64,785)	899,748
Insurance service result	**(21,164,703)**	**–**	**17,355,651**	**63,092**	**(3,745,960)**
Insurance finance expenses	–	–	344,249	–	344,249
Total changes in the statement of income and comprehensive income	**(21,164,703)**	**–**	**17,699,900**	**63,092**	**(3,401,711)**
Cash flows:					
Premiums received	28,412,055	–	–	–	28,412,055
Claims and other directly attributable expenses paid	–	–	(16,546,594)	–	(16,546,594)
Insurance acquisition cash flows	(7,659,213)	–	–	–	(7,659,213)
Total cash flows	**20,752,842**	**–**	**(16,546,594)**	**–**	**4,206,248**
Insurance contract liabilities, end of year	**$ 3,310,416**	**$ –**	**$ 7,550,251**	**$ 215,953**	**$ 11,076,620**

* PVFCF refers to present value of future cash flows

8. Insurance and reinsurance contracts (continued):

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

	Liabilities for remaining coverage		Liabilities for incurred claims		
2022	Excluding loss component	Loss component	Estimates of PVFCF	Risk adjustments	Total
Insurance contract liabilities, beginning of year	**$ 3,236,896**	**$ –**	**$ 4,334,260**	**$ 106,351**	**$ 7,677,507**
Insurance revenue	(23,510,833)	–	–	–	(23,510,833)
Insurance service expenses:					
Incurred claims and other directly attributable expense	–	–	17,922,540	106,387	18,028,927
Insurance acquisition cash flows amortization	6,159,480	–	–	–	6,159,480
Changes that relate to past service – adjustments to the LIC	–	–	(3,295,546)	(59,877)	(3,355,423)
Insurance service result	**(17,351,353)**	**–**	**14,626,994**	**46,510**	**(2,677,849)**
Insurance finance expenses	–	–	(26,345)	–	(26,345)
Total changes in the statement of income and comprehensive income	**(17,351,353)**	**–**	**14,600,649**	**46,510**	**(2,704,194)**
Cash flows:					
Premiums received	24,393,985	–	–	–	24,393,985
Claims and other directly attributable expenses paid	–	–	(12,537,964)	–	(12,537,964)
Insurance acquisition cash flows	(6,557,251)	–	–	–	(6,557,251)
Total cash flows	**17,836,734**	**–**	**(12,537,964)**	**–**	5,298,770
Insurance contract liabilities, end of year	**$ 3,722,277**	**$ –**	**$ 6,396,945**	**$ 152,861**	**$ 10,272,083**

* PVFCF refers to present value of future cash flows

8. Insurance and reinsurance contracts (continued):

(b) Roll forward of net assets or liabilities for reinsurance contracts:

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

	Assets for remaining coverage		Assets recoverable on incurred claims		
2023	Excluding Loss recovery component	Loss recovery component	Estimates of PVFCF	Risk adjustments	Total
Reinsurance contract assets (liabilities), beginning of year	**$ (732,459)**	**$ –**	**$ 2,103,538**	**$ 37,145**	**$ 1,408,224**
An allocation of reinsurance premiums	(5,533,727)	–	–	–	(5,533,727)
Amounts recoverable from reinsurers for incurred claim:					
Amounts recoverable for claims and other expense	–	–	4,439,381	44,261	4,483,642
Changes to amounts recoverable for incurred claim	–	–	776,712	(23,521)	753,191
Net income/expense from reinsurance contracts held	**(5,533,727)**	**–**	**5,216,093**	**20,740**	**(296,894)**
Reinsurance finance income	–	–	62,148	–	62,148
Total changes in the statement of income and comprehensive income	**(5,533,727)**	**–**	**5,278,241**	**20,740**	**(234,746)**
Cash flows:					
Premiums paid net of ceding commissions and other directly attributable expenses paid	5,294,044	–	–	–	5,294,044
Amounts received	–	–	(3,939,358)	–	(3,939,358)
Total cash flows	**5,294,044**	**–**	**(3,939,358)**	**–**	**1,354,686**
Reinsurance contract assets (liabilities), end of year	**$ (972,142)**	**$ –**	**$ 3,442,421**	**$ 57,885**	**$ 2,528,164**

* PVFCF refers to present value of future cash flows

8. Insurance and reinsurance contracts (continued):

(b) Roll forward of net assets or liabilities for reinsurance contracts (continued):

	Assets for remaining coverage		Assets recoverable on incurred claims		
2022	Excluding Loss recovery component	Loss recovery component	Estimates of PVFCF	Risk adjustments	Total
Reinsurance contract assets (liabilities), beginning of year	**$ (711,104)**	**$ –**	**$ 1,236,983**	**$ 17,359**	**$ 543,238**
An allocation of reinsurance premiums	(3,920,952)	–	–	–	(3,920,952)
Amounts recoverable from reinsurers for incurred claim:					
Amounts recoverable for claims and other expense	–	–	3,947,855	34,086	3,981,941
Changes to amounts recoverable for incurred claim	–	–	(1,090,306)	(14,300)	(1,104,606)
Net income/expense from reinsurance contracts held	**(3,920,952)**	**–**	**2,857,549**	**19,786**	**(1,043,617)**
Reinsurance finance income	–	–	753	–	753
Total changes in the statement of income and comprehensive income	**(3,920,952)**	**–**	**2,858,302**	**19,786**	**(1,042,864)**
Cash flows:					
Premiums paid net of ceding commissions and other directly attributable expenses paid	3,899,597	–	–	–	3,899,597
Amounts received	–	–	(1,991,747)	–	(1,991,747)
Total cash flows	**3,899,597**	**–**	**(1,991,747)**	**–**	**1,907,850**
Reinsurance contract assets (liabilities), end of year	**$ (732,459)**	**$ –**	**$ 2,103,538**	**$ 37,145**	**$ 1,408,224**

* PVFCF refers to present value of future cash flows

8. Insurance and reinsurance contracts (continued):

(c) Liability for incurred claims:

The liability for incurred claims represents the expected fulfilment cash flows related to incurred claims, reflecting current estimates from the perspective of the Company and includes an explicit adjustment for non-financial risk (the risk adjustment).

(i) Methodology and assumptions:

Determining the liability for incurred claims and the related asset for incurred claims involves an assessment of the future development of claims. The liability for incurred claims is determined using a range of accepted actuarial claims projection techniques determined based on the line of business. The key assumption in developing these estimates is that claims recorded to date will continue to develop in a similar manner in the future. Other factors include changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claims personnel and independent adjusters retained to handle individual claims, the effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions, economic conditions and public attitudes.

The liability for incurred claims includes salvage and subrogation and excludes reinsurance recoveries. The actuarially determined carrying value of liability for incurred claims is considered an indicator of fair value, as there is no ready market for the trading of insurance policy liabilities.

Under Canadian accepted actuarial practice, the appropriate amount representing future obligations is defined as policy liabilities, which takes into consideration the time value of money and includes risk adjustment. Consequently, the liability for incurred claims and related asset for incurred claims have been recorded on a discounted basis. The discount rate used in the December 31, 2023 valuation are set out in Note 3(b)(i)(c).

Future changes in the discount rate could change the value of these claims. A 1% increase in this rate would decrease liability for incurred claims by $72,000 (2022 - $47,000), while a 1% decrease in this rate would increase liability for incurred claims by $75,000 (2022 - $48,000).

8. Insurance and reinsurance contracts (continued):

(c) Liability for incurred claims (continued):

(i) Methodology and assumptions (continued):

The liability for incurred claims are estimates and, as such, are subject to variability, which could be material in the near term. Changes to the estimates could result from future events such as receiving additional claim information, changes in judicial interpretation of contracts or significant changes in severity or frequency of claims from past trends. In general, the longer the term required for the settlement of claims, the more variable the estimates. As additional experience and other data becomes available, the estimates could be revised. Any future changes in estimates would be reflected in the statement of income for the period in which the change occurred. The historical studies are regularly compared to current emerging experience so that adjustments may be made as necessary. The actual amount of ultimate claims can only be ascertained once all claims are closed. The effect of changes in assumptions is disclosed in Note 9 (a)(vi) sensitivity analysis.

9. Insurance and financial risk management:

The Company's exposure to potential loss is primarily due to underwriting risk along with various market risks, including interest rate risk, liquidity risk, and credit risk.

(a) Insurance risk:

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

The risks written by the Company are concentrated within New Brunswick.

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

		2023			2022	
	Insurance	Reinsurance held	Net	Insurance	Reinsurance held	Net
Personal Property and liability	$ 5,868,910	$ 2,984,479	$ 2,884,431	$ 5,929,958	$ 2,044,050	$ 3,885,908
Commercial Property and liability	1,897,294	515,827	1,381,467	619,848	96,633	523,215
	$ 7,766,204	$ 3,500,306	$ 4,265,898	$ 6,549,806	$ 2,140,683	$ 4,409,123

Insurance risk is the risk that the total cost of claims and acquisition expenses will exceed premiums received and can arise from numerous factors, including pricing risk, reserving risk, catastrophic loss risk and reinsurance coverage risk.

The Company's underwriting objective is to develop business within the target market on a prudent and diversified basis and to achieve profitable underwriting results.

The business risk of insurance is primarily in pricing and underwriting the product, in managing investment funds, and in estimating and settling claims. To mitigate some of its risks, the Company purchases reinsurance to share part of the risk originally accepted in writing the policy. The Company ceded approximately 19.6% (2022 - 20.9%) of its insurance revenue with external reissuers. The Company has established risk management policies and procedures to measure and control risk. These policies and procedures are reviewed periodically by senior management, the Board of Directors, external auditors and regulators.

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(i) Pricing risk:

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicality of the insurance market. The market cycle is affected by the frequency and severity of losses, levels of capacity and demand, general economic conditions and price competition. The Company's pricing process is designed to ensure an appropriate return on capital while also providing long-term rate stability. These factors are reviewed and adjusted regularly to ensure prices are responsive to the current environment and competitor behaviour.

(ii) Reserving risk:

Reserving risk arises due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and ultimate resolution of the claim.

Liabilities for incurred claims are expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claim severity and frequency, legal theories of liability and other factors. Variables in the reserve estimation process can be affected by receipt of additional claim information and other internal and external factors, such as changes in claims handling procedures, economic inflation, legal and judicial.

Reserving risk is reduced through various internal and external control processes including minimum reserve standards, quality assurance reviews, monthly review, and legal counsel. The year-end liability for incurred claims is reviewed by an independent appointed actuary who reports on the adequacy of the reserves.

(iii) Regulating risk:

Regulation covers a number of areas including solvency, change in control and capital movement limitations. The Company works closely with regulators and monitors regulatory developments to assess their potential impact on its ability to meet solvency and other requirements.

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(iv) Concentration risk:

The Company writes property and casualty insurance contracts for twelve-month durations. The most significant risks arise from natural disasters, climate change and other catastrophes. The Company has a reinsurance program to limit the exposure to catastrophic losses from any one event.

The Company has a concentration of business in property insurance in the Province of New Brunswick. For the year ended December 31, 2023, property premiums represented 91% (2022 - 91%) of gross written premiums.

(v) Catastrophic loss risk:

Catastrophic loss risk is the exposure to losses resulting from multiple claims arising out of a single catastrophic event. Property and casualty insurance companies experience large losses arising from man-made or natural catastrophes that can result in significant underwriting losses. Catastrophes can cause losses in a variety of property and casualty lines and may have continuing effects which could delay or hamper efforts to timely and accurately assess the full extent of the damage they cause. The incidence and severity of catastrophes are inherently unpredictable. The Company evaluates catastrophic events and assesses the probability of occurrence and magnitude of catastrophic events through various modeling techniques and through the aggregation of limits exposed. The Company's exposure to catastrophic loss is also managed through geographic and product diversification as well as through the use of reinsurance.

The Company reinsures claims from a single catastrophe when the sum exceeds $625,000 (2022 - $625,000), which represents less than 2.4% (2022 - 2.8%) of the Company's surplus. Reinsurance coverage risk arises because reinsurance terms, conditions and/or pricing may change on renewal, particularly following catastrophes.

(vi) Sensitivities:

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

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vi) Sensitivities (continued):

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

			2023		
	Change in assumptions	Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity gross of reinsurance	Impact on equity, net of reinsurance
Weighted average term to settlement	+5%	$ (21,000)	$ (17,000)	$ (15,000)	$ (12,000)
Expected loss	+5%	62,000	51,000	44,000	36,000
Inflation rate	+1%	78,000	56,000	55,000	40,000
Weighted average term to settlement	-5%	21,000	16,000	15,000	11,000
Expected loss	-5%	(60,000)	(51,000)	(43,000)	(36,000)
Inflation rate	-1%	(76,000)	(54,000)	(54,000)	(38,000)

			2022		
	Change in assumptions	Impact on profit before tax, gross of reinsurance	Impact on profit before tax, net of reinsurance	Impact on equity gross of reinsurance	Impact on equity, net of reinsurance
Weighted average term to settlement	+5%	$ (13,000)	$ (10,000)	$ (9,000)	$ (7,000)
Expected loss	+5%	37,000	30,000	26,000	21,000
Inflation rate	+1%	50,000	36,000	35,000	26,000
Weighted average term to settlement	-5%	13,000	10,000	9,000	7,000
Expected loss	-5%	(36,000)	(29,000)	(26,000)	(21,000)
Inflation rate	-1%	(49,000)	(36,000)	(35,000)	(26,000)

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vii) Claims development

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

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

	Estimates of the PVFCF	Risk adjustment	2023 Total	Estimates of the PVFCF	Risk adjustment	2022 Total
Total gross liabilities for incurred claims	$ 7,550,251	$ 215,953	$ 7,766,204	$ 6,396,945	$ 152,861	$ 6,549,806
Amounts recoverable from reinsurance	3,442,421	57,885	3,500,306	2,103,538	37,145	2,140,683
Total net liabilities for incurred claims	$ 4,107,830	$ 158,068	$ 4,265,898	$ 4,293,407	$ 115,716	$ 4,409,123

SOUTHEASTERN MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vii) Claims development (continued)

Gross undiscounted liabilities for incurred claims 2023

Amounts in $'000	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
End of insured event year								8,368	13,602	15,119	
One year later							5,840	8,445	14,429		
Two years later						6,416	5,692	8,870			
Three years later					3,845	6,318	5,760				
Four years later				4,010	3,854	6,321					
Five years later			2,892	4,008	3,734						
Six years later		3,242	2,720	4,043							
Seven years later	2,768	3,242	2,720								
Eight years later	2,768	3,242									
Nine years later	2,768										
Ten years later											
Gross estimates of the undiscounted amount of the claims	2,768	3,242	2,720	4,043	3,734	6,321	5,760	8,870	14,429	15,119	67,006
Cumulative payments to date	2,768	3,242	2,720	3,943	3,731	6,318	5,387	8,181	13,884	9,115	59,289
Gross undiscounted liabilities for incurred claims	-	-	-	100	3	3	373	689	545	6,004	7,717
Risk adjustment											216
Effect of discounting											(323)
Other attributable expenses											156
Total liabilities for incurred claims											7,766

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vii) Claims development (continued)

Net undiscounted liabilities for incurred claims 2023

Amounts in $'000	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
End of insured event year								7,085	10,745	10,711	
One year later							5,056	7,038	10,424		
Two years later						5,843	4,931	7,465			
Three years later					4,654	5,758	5,000				
Four years later				4,245	4,655	5,761					
Five years later			2,954	4,243	4,535						
Six years later		3,357	2,782	4,278							
Seven years later	2,789	3,357	2,782								
Eight years later	2,789	3,357									
Nine years later	2,789										
Ten years later											
Gross estimates of the undiscounted amount of the claims	2,789	3,357	2,782	4,278	4,535	5,761	5,000	7,465	10,424	10,711	57,102
Cumulative payments to date	2,789	3,357	2,782	4,178	4,532	5,758	4,626	6,902	10,189	7,810	52,923
Net undiscounted liabilities for incurred claims	-	-	-	100	3	3	374	563	235	2,901	4,179
Risk adjustment											157
Effect of discounting											(226)
Other attributable expenses											156
Net liabilities for incurred claims											4,266

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vii) Claims development (continued)

Gross undiscounted liabilities for incurred claims 2022

Amounts in $'000	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
End of insured event year									8,368	13,602	
One year later								5,840	8,445		
Two years later							6,416	5,692			
Three years later						3,845	6,318				
Four years later					4,010	3,854					
Five years later				2,892	4,008						
Six years later			3,242	2,720							
Seven years later		2,768	3,242								
Eight years later	2,126	2,768									
Nine years later	2,126										
Ten years later											
Gross estimates of the undiscounted amount of the claims	2,126	2,768	3,242	2,720	4,008	3,854	6,318	5,692	8,445	13,602	52,775
Cumulative payments to date	2,126	2,768	3,242	2,720	3,919	3,850	6,318	5,373	8,001	8,201	46,518
Gross undiscounted liabilities for incurred claims	-	-	-	-	89	4	-	319	444	5,401	6,257
Risk adjustment											153
Effect of discounting											(221)
Other attributable expenses											361
Total liabilities for incurred claims											6,550

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vii) Claims development (continued)

Net undiscounted liabilities for incurred claims 2022

Amounts in $'000	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
End of insured event year									7,085	10,745	
One year later								5,056	7,038		
Two years later							5,843	4,931			
Three years later						4,654	5,758				
Four years later					4,245	4,655					
Five years later				2,954	4,243						
Six years later			3,357	2,782							
Seven years later		2,789	3,357								
Eight years later	2,580	2,789									
Nine years later	2,580										
Ten years later											
Gross estimates of the undiscounted amount of the claims	2,580	2,789	3,357	2,782	4,243	4,655	5,758	4,931	7,038	10,745	48,878
Cumulative payments to date	2,580	2,789	3,357	2,782	4,153	4,652	5,758	4,613	6,751	7,348	44,783
Net undiscounted liabilities for incurred claims	-	-	-	-	90	3	-	318	287	3,397	4,095
Risk adjustment											116
Effect of discounting											(163)
Other attributable expenses											361
Total liabilities for incurred claims											4,409

9. Insurance and financial risk management (continued):

(b) Financial risk management:

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's statement of financial position from events that have the potential to materially impair its financial strength.

Risks identified as potentially significant are managed through a combination of Board policy, management monitoring and other management practices. The Company's Investment Policy Statement establishes asset mix parameters and risk limits to help minimize undue exposure to these risks in the investment portfolio while attempting to maximize the long-term value of policyholders' surplus. The Investment Policy Statement is reviewed annually by the Finance and Audit Committee. Compliance with the Investment Policy is monitored quarterly by the Finance and Audit Committee of the Board of Directors.

The Company has exposure to credit risk, liquidity risk and market risks from its use of financial instruments and its insurance contracts:

(i) Credit risks:

Credit risk is the risk of financial loss as the result of the Company's counterparties not being able to meet payment obligations as they become due. The Company's credit risk is concentrated in the bond portfolio. Unless otherwise stated, the Company's credit exposure is limited to the carrying amount of these assets.

a) Invested assets:

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

9. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(i) Credit risks (continued):

a) Invested assets (continued):

The following table shows fair value of investments (excluding cash and cash equivalents by the credit risk ratings):

2023	Bonds and debentures	Preferred shares	Total	% of total
AA/PFD-2 (Low)	$ 4,967,514	$ 1,359,518	$ 6,327,032	34%
A/PFD-3 (Low)	5,163,795	262,071	5,425,866	29%
BBB/PFD-4 (Low)	1,967,071	–	1,967,071	11%
Unrated - Corporate	623,958	–	623,958	3%
Unrated - Municipal	4,376,034	–	4,376,034	23%
	$ 17,098,372	$ 1,621,589	$ 18,719,961	100%

2022	Bonds and debentures	Preferred shares	Total	% of total
AA/PFD-2 (Low)	$ 4,806,385	$ 749,474	$ 5,555,859	32%
A/PFD-3 (Low)	5,857,805	171,652	6,029,457	35%
BBB/PFD-4 (Low)	1,888,929	–	1,888,929	11%
Unrated - Corporate	350,460	–	350,460	2%
Unrated - Municipal	3,314,897	–	3,314,897	20%
	$ 16,218,476	$ 921,126	$ 17,139,602	100%

b) Reinsurance recoverable and receivables:

The Company relies on reinsurance to manage underwriting risk, however, reinsurance does not release the Company from its primary commitments to its policyholders. Therefore, the Company is exposed to the credit risk associated with the amounts ceded to reinsurers.

9. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(i) Credit risks (continued):

b) Reinsurance recoverable and receivables (continued):

The Company regularly assesses the financial soundness of the reinsurer it deals with. An allowance for losses on reinsurance contracts is established when a reinsurance counterparty becomes unable or unwilling to fulfill its contractual obligations. The allowance for loss is based on current recoverable and ceded claim liabilities. No information has come to the Company's attention indicating weakness or failure of its current reinsurer; consequently, no impairment provision has been made in the accounts due to credit risks. The Company's credit exposure to any one individual policyholder included in premiums receivable from policyholders is not material.

The Company's retained risk is $310,000 (2022 - $310,000) in the case of each property claim, $625,000 (2022 - $625,000) for each property catastrophe, and $310,000 (2022 - $310,000) for each general liability claim. In addition, stop loss reinsurance is in effect, which protects the Company to limit the "Net Incurred Loss Ratio" to 70% of its insurance premiums (unchanged from 2022).

(ii) Liquidity risks:

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations. Liquidity risk arises from the Company's general business activities and in the course of managing the assets and liabilities. The liquidity requirements of the Company's business are met primarily by funds generated by operations, asset maturities and investment returns. Cash provided from these sources normally exceeds cash requirements to meet claims costs and operating expenses.

At December 31, 2023, the Company had $2,154,816 (2022 - $3,475,943) of cash and cash equivalents. The Company also has a highly liquid investment portfolio. Equities and preferred shares held by the Company had a fair value of $13,809,966 (2022 - $10,005,715). Canadian fixed-income securities issued or guaranteed by domestic governments and investment grade corporate bonds held by the Company had a fair value of $17,098,372 as at December 31, 2023 (2022 - $16,218,476).

The Company's bond portfolio designated as FVTPL is managed to match the Company's claim liability profile in order to ensure sufficient funding to meet claim liabilities. The Company believes that it has the flexibility to obtain, from internal sources, the funds needed to meet cash and regulatory requirements on an ongoing basis.

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

9. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(ii) Liquidity risks (continued):

The Company maintains a line of credit with Canadian Imperial Bank of Commerce in the amount of $125,000 with an interest rate of prime plus 0.15%. At December 31, 2023, the Company's line of credit is available. In addition, the Company has a corporate credit card facility in the amount of $27,500.

The maturity profile of the Company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarised in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analysed by their expected payment dates.

2023	Short term (within 1 year)	Long term	Total
Financial assets:			
Cash and cash equivalents	$ 2,154,816	$ –	$ 2,154,816
Invested assets	3,479,221	15,240,740	18,719,961
Accrued investment income	166,000	–	166,000
Due to policyholders and other recoverables	24,000	–	24,000
Insurance assets:			
Insurance asset contracts	3,453,450	272,856	3,726,306
Total assets	$ 9,277,487	$ 15,513,596	$ 24,791,083
Financial liabilities:			
Accounts payable and accrued liabilities	$ 144,582	$ –	$ 144,582
Income taxes payable	653,754	–	653,754
Insurance liabilities:			
Insurance contract liabilities	6,751,600	1,337,604	8,089,204
Total liabilities	$ 7,549,936	$ 1,337,604	$ 8,887,540
Cumulative liquidity gap	$ 1,727,551	$ 14,175,992	$ 15,903,543

9. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(ii) Liquidity risks (continued):

2022	Short term (within 1 year)	Long term	Total
Financial assets:			
Cash and cash equivalents	$ 3,475,943	$ –	$ 3,475,943
Invested assets	2,991,411	14,148,191	17,139,602
Accrued investment income	151,000	–	151,000
Due to policy holders and other recoverables	20,634	–	20,634
Income taxes recoverable	289,687	–	289,687
Insurance assets:			
Reinsurance asset contracts	2,117,851	185,832	2,303,683
Total assets	$ 9,046,526	$ 14,334,023	$ 23,380,549
Financial liabilities:			
Accounts payable and accrued liabilities	$ 189,564	$ –	$ 189,564
Mortgage payable	909,917	–	909,917
Insurance liabilities:			
Insurance contract liabilities	5,913,000	857,806	6,770,806
Total liabilities	$ 7,012,481	$ 857,806	$ 7,870,287
Cumulative liquidity gap	$ 2,034,045	$ 13,476,217	$ 15,510,262

9. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(iii) Market risk:

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates, interest rates, and equity market fluctuations. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Company’s primary market risk exposures and how those exposures are currently managed.

a) Foreign exchange risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in exchange rates.

The Company's foreign currency risk is related to its foreign stock holdings. Foreign currency changes are monitored by the Financial and Audit Committee. Foreign stock financial assets primarily relate to US dollar denominated equities in the amount of $6,046,603 (2022 - $5,013,991) Canadian. A 10% increase or decrease in the value of the US dollar, with all other variables held constant, would increase or decrease income by approximately $453,000 (2022 - $376,000), net of tax. The Company has not entered into any derivative financial instruments to hedge this currency risk exposure.

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.

b) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Typically, investment income will be reduced during sustained periods of low interest rates but this will also create unrealized gains within the bond portfolio. It will also create realized gains to be recognized in net income to the extent any bonds are sold during the period. The reverse is true during a sustained period of increasing interest rates.

Duration is a measure used to estimate the extent fair values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that an immediate hypothetical 100 basis points or 1% parallel increase in interest rates, with all other variables held constant, would decrease the fair value of bonds as well as net income by $517,000 (2022 - $487,000). Similarly, a 100 basis point or 1% parallel decrease in interest rates would generate a corresponding increase in the fair value of bonds and net income.

9. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(iii) Market risk:

c) Equity risk:

Economic trends, the political environment and other factors can positively and adversely impact the equity markets and consequently the value of equity investments the Company holds. The Company's portfolio includes equities with fair values that move with the changes in stock markets. A 10% movement in the stock markets, with all other variables held constant would change the fair value of the Company's equities by $1,219,000 (2022 - $1,001,000).

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.

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.

10. Income taxes:

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2023	Assets	Liabilities	Net
Property and equipment	$ –	$ (237,530)	$ (237,530)
Claim reserves	–	(60,442)	(60,442)
Other	17,690	–	17,690
Net tax assets (liabilities)	$ 17,690	$ (297,972)	$ (280,282)

2022	Assets	Liabilities	Net
Property and equipment	$ –	$ (186,875)	$ (186,875)
Claim reserves	–	(90,161)	(90,161)
Other	17,758	–	17,758
Net tax assets (liabilities)	$ 17,758	$ (277,036)	$ (259,278)

(b) Movement in temporary differences during the year

	Property and equipment	Claim reserves	Other	Total
Balance, December 31, 2021	$(159,220)	$ (50,923)	$ 16,953	$(193,190)
Recognized in income	(27,655)	(39,238)	805	(66,088)
Balance, December 31, 2022	(186,875)	(90,161)	17,758	(259,278)
Recognized in income	(50,655)	29,719	(68)	(21,004)
Balance, December 31, 2023	$(237,530)	$ (60,442)	$ 17,690	$(280,282)

10. Income taxes (continued):

(c) Components of income tax expense

The major components of income tax expense are:

	2023	2022
Current tax expense		
Current period taxes on income	$ 1,355,503	$ 10,692
Adjustments for prior years	–	(10,085)
Deferred tax expense		
Origination and reversal of temporary differences	21,004	66,088
Total income tax expense	$ 1,376,507	$ 66,695

(d) Reconciliation of effective tax rate

The Company's provision for income taxes varies from the expected provision at statutory rates for the following reasons:

	2023	202
Income before income taxes	$ 5,220,317	$ 507,483
Combined basic Canadian federal and provincial income tax rate	29%	29%
Provision based on combined basis income tax rate	1,513,892	147,170
Adjustments for prior years	–	(10,083)
Impact of small business deduction	(56,083)	–
Permanent items and other	1,791	873
Non-taxable dividends	(82,054)	(67,575)
Other	(1,039)	(3,690)
Income tax expense	$ 1,376,507	$ 66,695
Current income tax	$ 1,355,503	$ 607
Deferred income tax	21,004	66,088
	$ 1,376,507	$ 66,695

11. Insurance revenue:

	2023	2022
Gross written premiums	$ 30,346,177	$ 25,619,380
Change in unearned premiums	(2,432,173)	(2,531,358)
Service fees and other income	563,042	433,071
Bad debts	(20,505)	(10,260)
	$ 28,456,541	$ 23,510,833

12. Insurance service expense:

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

	2023	2022
Claims and Benefits	$ 16,179,368	$ 13,551,876
Salaries and employee benefits	2,055,147	1,811,287
Professional fees (other than legal)	217,341	126,535
Legal fees	35,924	13,344
Commissions, agency, and premium taxes	5,563,464	4,664,165
Depreciation and amortization	213,432	199,104
Occupancy expenses (including rent, leasing and maintenance)	146,996	75,779
Information technology	638,473	533,812
Other general expenses	823,429	816,896
	$ 25,873,574	$ 21,792,798
Represented by:		
Insurance service expenses	$ 24,710,581	$ 20,832,984
General and operating expenses	1,162,993	959,814
	$ 25,873,574	$ 21,792,798

13. Investment income:

Net investment income (loss):

	2023	2022
Interest income	$ 530,894	$ 396,482
Dividend income	286,351	249,589
Gain on disposal of invested assets	723,493	181,724
Unrealized gain (loss) of invested assets	1,151,003	(1,454,731)
	$ 2,691,741	$ (626,936)

14. Related party transactions:

The Company entered into the following transactions with key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including all directors, executives, and non-executive senior management.

	2023	2022
Key management remuneration	$ 1,149,689	$ 922,327

Included in the statement of income are the following items relating to key management:

	2023	2022
Property and liability insurance premiums received	$ 12,682	$ 10,902

Each director of the Company received an annual stipend in 2023 of $8,768 per director, $17,115 for the chair (2022 - $8,350 per director, $16,300 for the chair).

14. Related party transactions (continued):

In addition, each director received an attendance fee in 2023 of $487 (2022 - $465) for each attendance at board meetings, board committee meetings and various industry events.

The total compensation paid and expenses reimbursed to each director in respect of 2023 and 2022 was as follows:

	Annual stipend	Attendance fees – Board and committee meetings	Total compensation per Director	Courses, conferences, and mileage	Total compensation and expenses per Director
Kevin Burdett					
2023	$ 8,768	$ 6,331	$ 15,099	$ 211	$ 15,310
2022	8,350	7,208	15,558	1,158	16,716
Jack Low					
2023	8,768	4,870	13,638	1,639	15,277
2022	8,350	6,045	14,395	133	14,528
James Stark					
2023	8,768	6,331	15,099	211	15,310
2022	8,350	7,208	15,558	619	16,177
Brenda Mackenzie					
2023	8,768	6,331	15,099	211	15,310
2022	8,350	6,510	14,860	133	14,993
James Slupsky					
2023	8,768	6,331	15,099	211	15,310
2022	8,350	6,510	14,860	133	14,993
Peter Wright					
2023	17,115	7,062	24,177	211	24,388
2022	16,300	7,207	23,507	132	23,639
Total for all directors					
2023	$ 60,955	$ 37,256	$ 98,211	$ 2,694	$ 100,905
2022	$ 58,050	$ 40,688	$ 98,738	$ 2,308	$ 101,046

Each director is provided with coverage under the health insurance plan. These benefits include coverage for Accidental Death and Dismemberment (AD&D).

The directors did not receive any retirement benefits, pension benefits, bonuses, profit sharing benefits, incentive payments. The directors did not receive any discounts on premiums payable to the Company (other than the premium discounts applicable generally to all policyholders).

15. Capital management:

The Company's capital management objective is to ensure the Company is capitalized in a manner that provides a strong financial position for its policyholders, and at the same time exceeds the regulatory capital requirements. Reinsurance is utilized to protect capital from catastrophic losses as the frequency and severity of these losses are inherently unpredictable.

Government regulators expect the Company to establish an internal target capital ratio above supervisory target capital ratio when applying the Minimum Capital Test (MCT), which measures available capital against required risk-weighted capital. The MCT calculation incorporates operating results, financial position and other factors and includes a calculated amount of capital available. As of December 31, 2023, the Company's MCT exceeded the supervisory target capital ratio required by the regulator (150%) as well as the Company's internal target ratio (325%).

Management actively monitors the MCT ratio and the effect that external and internal actions have on the capital base of the Company. In particular, management determines the effect on capital before entering into any significant transactions to ensure that policyholders are not put at risk through the depletion of capital to unacceptable levels.

The following is the detail MCT calculations of the Company:

	2023	2022
Calculated capital available	$ 24,232,000	$ 21,080,000
Supervisory target capital required	9,320,000	6,717,000
Internal target capital	20,192,000	20,151,000
Ratio of capital available over supervisory target capital required	260%	314%
Ratio of capital available over internal target capital	120%	105%

16. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.