

Maple Mutual Insurance Company
Financial Statements
December 31, 2025

Maple Mutual Insurance Company
Contents

For the year ended December 31, 2025

Independent Auditor's Report

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To the Policyholders of Maple Mutual Insurance Company

Opinion

We have audited the financial statements of Maple Mutual Insurance Company (the "Company"), which comprise the statement of financial position as at December 31, 2025, and the statements of comprehensive income, policyholders' surplus and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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

Wallaceburg, Ontario

February 26, 2026

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

Maple Mutual Insurance Company
Statement of Financial Position

As at December 31, 2025

	Notes	2025	2024
Assets			
Cash and cash equivalents		\$ 2,644,224	\$ 2,526,297
Investments	7	37,985,617	32,659,216
Income tax recoverable		-	472,923
Reinsurance contract assets	5	2,519,375	2,666,105
Other assets		83,001	137,171
Property and equipment	9	4,829,608	5,027,998
		\$ 48,061,825	\$ 43,489,710
Liabilities			
Accounts payable and accrued liabilities		\$ 254,578	\$ 153,777
Insurance contract liabilities	5	16,553,602	13,211,058
Income tax payable		70,115	-
Deferred income tax liabilities		353,679	610,571
		17,231,974	13,975,406
Policyholders' surplus			
Unappropriated policyholders' surplus		30,829,851	29,514,304
		\$ 48,061,825	\$ 43,489,710

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements

Maple Mutual Insurance Company Statement of Comprehensive Income

For the year ended December 31, 2025

	Notes	2025	2024
Insurance revenue	5	\$ 22,096,496	\$ 19,094,394
Insurance service expense	5, 6	(19,219,539)	(15,076,305)
Insurance service result before reinsurance contracts held		2,876,957	4,018,089
Reinsurance premiums ceded	5	(3,286,664)	(2,554,412)
Recoverable from (expenditure to) reinsurers for incurred claims	5	303,614	(702,981)
Net expense from reinsurance contracts held		(2,983,050)	(3,257,393)
Insurance service result		(106,093)	760,696
Net investment income	7	2,135,240	2,805,762
Finance expense from insurance contracts issued	5	(355,354)	(447,683)
Finance income from reinsurance contracts held	5	89,627	164,845
Net insurance financial result		(265,727)	(282,838)
Other income		98,928	209,310
General and operating expenses	6	(207,905)	(893,069)
Other expenses		(108,977)	(683,759)
Income before income taxes		1,654,443	2,599,861
Income tax expense	8	(338,896)	(883,247)
Total comprehensive income for the year		\$ 1,315,547	\$ 1,716,614

The accompanying notes are an integral part of these financial statements

Maple Mutual Insurance Company
Statement of Policyholders' Surplus

For the year ended December 31, 2025

	<i>Surplus</i>
Balance at January 1, 2024	\$ 27,797,689
Comprehensive income for the year	1,716,614
Balance at December 31, 2024	29,514,304
Comprehensive income for the year	1,315,547
Balance at December 31, 2025	\$ 30,829,851

The accompanying notes are an integral part of these financial statements

Maple Mutual Insurance Company

Statement of Cash Flows

For the year ended December 31, 2025

	Notes	2025	2024
Cash flows from operating activities			
Comprehensive income for the year		\$ 1,315,547	\$ 1,716,614
Adjustments for:			
Depreciation of property and equipment	6, 9	199,632	206,880
Gain on disposal of property and equipment		-	(167,369)
Net realized gains on sale of FVTPL financial assets	7	(117,889)	(392,270)
Unrealized gains on FVTPL financial assets	7	(471,115)	(1,066,150)
Interest and dividend income	7	(1,723,393)	(1,453,953)
Income tax expense	8	338,896	883,247
		(1,773,869)	(1,989,615)
Changes in working capital accounts			
Reinsurance contract assets		146,730	1,842,610
Other assets		54,170	(78,260)
Accounts payable and accrued liabilities		100,801	9,944
Insurance contract liabilities		3,342,544	606,769
		3,644,245	2,381,063
Cash flows relating to interest, dividends and income taxes			
Interest and dividends received		1,760,394	1,474,851
Income taxes paid		(52,750)	(840,481)
		4,893,567	2,742,432
Cash flows used in investing activities			
Proceeds from sale of investments		2,004,747	15,125,071
Purchase of investments		(6,779,145)	(20,182,186)
Additions to property and equipment	9	(1,242)	(16,991)
Proceeds on disposition of property and equipment		-	284,232
		(4,775,640)	(4,789,874)
Increase (decrease) in cash and cash equivalents			
		117,927	(2,047,442)
Cash and cash equivalents, beginning of year			
		2,526,297	4,573,739
Cash and cash equivalents, end of year			
		\$ 2,644,224	\$ 2,526,297

The accompanying notes are an integral part of these financial statements

1. CORPORATION INFORMATION

Maple Mutual Insurance Company (the Company) is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property, liability, automobile, and farmers' accident insurance in Ontario. The Company's head office is located at 29553 St. George Street, Dresden, ON, Canada.

The Company is subject to rate regulation in the automobile business that it writes. Before automobile insurance rates can be changed, a rate filing is prepared as a combined filing for most Ontario Farm Mutuals. The rate filing must include actuarial justification for rate increases or decreases. All rate filings are approved or denied by the Financial Services Regulatory Authority of Ontario. Rate regulation may affect the automobile revenues that are earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

These financial statements have been authorized for issue by the Board of Directors on February 24, 2026.

2. BASIS OF PRESENTATION AND MEASUREMENT

The financial statements of the Company have been prepared in accordance with IFRS® Accounting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit or loss (FVTPL).

The Company presents its Statement of Financial Position on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the Statement of Financial Position date (current) and more than twelve months after the Statement of Financial Position date (non-current), presented in the notes.

The financial statement values are presented in Canadian dollars (CDN), which is the Company's functional and presentation currency.

Reporting responsibilities

The financial statements and accompanying notes are the responsibility of management.

The external auditors of the Company are required to conduct an examination in accordance with Canadian generally accepted auditing standards to enable their reporting to the policyholders as to whether the annual financial statements present fairly, in all material respects, the financial position and financial performance of the Company in accordance with IFRS.

The Appointed Actuary (the Actuary) is appointed by the Board of Directors pursuant to the Ontario Insurance Act. The Actuary is responsible for ensuring that the assumptions and methods used in the valuation of insurance contract liabilities are in accordance with accepted actuarial practice in Canada, applicable legislation and associated regulations or directives. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of insurance contract liabilities are important elements of the work required to form this opinion.

In accordance with a Joint Policy Statement issued by the Chartered Professional Accountants and their Canadian Institute of Actuaries, the auditor and the Actuary may make use of each other's work in discharging their respective responsibilities.

3. MATERIAL ACCOUNTING POLICIES

a) INSURANCE AND REINSURANCE CONTRACTS

i. Insurance contracts classification

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

ii. Separating components from insurance and reinsurance contracts

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

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

iii. Levels of aggregation

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

iv. Recognition

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

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

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

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- the date the Company recognises 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 recognised. Such amounts relate to future insurance contracts.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

vi. Measurement - Premium Allocation Approach ("PAA")

	<i>IFRS 17 Options</i>	<i>Adopted Approach</i>
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 and reinsurance contracts is one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group.	For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.
Liability for Remaining Coverage (LRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, 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 LRC.	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, (LIC) 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 LIC resulting from changes in discount rates and present this in other comprehensive income (OCI).	For all contracts, the change in LIC as a result of changes in discount rates will be captured within the Statement of Comprehensive Income.

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,
- Plus or minus any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

vii. Insurance contracts - initial measurement (Continued)

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

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 recognises 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 recognised 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 recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

ix. Insurance contracts - subsequent measurement

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

- Plus premiums received in the period,
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortization of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- Minus the amount recognised 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 recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

x. Reinsurance contracts - subsequent measurement

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

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

xi. Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company 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 recognised in the Statement of Financial Position, a separate asset for insurance acquisition cash flows is recognised for each related group.

xii. Insurance contracts - modification and derecognition

The Company derecognises 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 derecognises the initial contract and recognises the modified contract as a new contract.

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

xiii. Presentation

The Company has presented separately, in the Statement of Financial Position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

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

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (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 recognised 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. As of year-end, there are no onerous contracts.

xvi. Loss-recovery components

As described in Note 3(a)(xv) above, where the Company recognises 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. Finance expense from insurance contracts issued

Finance expense from insurance contracts issued 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 Statement of Comprehensive Income each period.

xviii. Finance income from reinsurance contracts held

The Company separately presents on the face of the Statement of Comprehensive Income, the amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the Statement of Comprehensive Income.

3. MATERIAL ACCOUNTING POLICIES (Continued)

a) INSURANCE AND REINSURANCE CONTRACTS (Continued)

xix. Insurance service expenses

Insurance service expense include all claims and insurance benefits occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, amortization of insurance acquisition cash flow, losses on onerous contracts and reversals of those losses, reduced for the value of salvage and subrogation, any adjustments to claims outstanding from previous years, and impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses. The Company will recognize the non-financial component of changes related to the risk adjustment in insurance service expense.

b) INVESTMENTS

i) Financial assets

The Company initially recognizes financial assets at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company designates all financial assets including cash and cash equivalents and investments as fair value through profit and loss (FVTPL) and subsequently measures these financial assets at fair value.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in 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 that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

ii) Net investment income

Net investment income consists of dividends, interest, realized gains and losses and unrealized gains and losses on FVTPL assets. Interest income is recognized as it accrues in the Statement of Comprehensive Income, using the effective interest method. Dividend income is recognized in the Statement of Comprehensive Income on the date that the Company's right to receive payment is established. Investment management and custodial fees expenses are recognized as incurred.

iii) Financial Liabilities

Financial liabilities are recognized initially at fair value on the 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 financial liabilities: accounts payable and accrued liabilities.

Financial liabilities are subsequently measured at amortized cost.

3. MATERIAL ACCOUNTING POLICIES (Continued)

c) INCOME TAXES

Income taxes are comprised of both current and deferred taxes. Income taxes are recognized in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year using enacted or substantially enacted at the year end and includes any adjustments to tax payable in respect of previous years. Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on deposit with financial institutions and short-term investments with an original maturity of three months or less from the date of acquisition.

e) PROPERTY AND EQUIPMENT

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Costs include expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in the Statement of Comprehensive Income and is provided over the useful life of the assets using the straight-line method.

Subsequent costs are included in the asset's carrying value when it is probable that future economic benefits associated with the item will flow to the Company and the item can be reliably measured. Repairs and maintenance are charged to the Statement of Comprehensive Income in the period in which they have been incurred.

Depreciation is recognized in the Statement of Comprehensive Income using the following methods and rates:

Buildings	20 - 40 years straight-line
Computer hardware	5 years straight-line
Furniture and equipment	5 years straight-line

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary. Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount. Construction in progress is not depreciated until the asset is placed into service.

Impairment reviews are performed when there are indicators that the carrying value of an asset may exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment losses are recognized in the Statement of Comprehensive Income as an expense. In the event the value of a previously impaired asset recovers, the previously recognized impairment loss is recovered in the Statement of Comprehensive Income at that time.

f) EMPLOYEE FUTURE BENEFITS

i) Defined benefit pension plan

The Company makes contributions on behalf of its employees to "The Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies". The pension plan is being accounted for as a multi-employer pension plan as defined by IAS 19 Employee Benefits. Eligible employees participate in the defined benefit plan. The defined benefit plan specifies the amount of the retirement benefit to be received by the employee based on the number of years the employee has contributed and his/her final average earnings.

3. MATERIAL ACCOUNTING POLICIES (Continued)

f) EMPLOYEE FUTURE BENEFITS (Continued)

i) *Defined benefit pension plan (Continued)*

The plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. Under the terms of the Ontario Mutual Insurance Association Pension Plan, the Company is liable for the obligations of other companies participating in the pension should they be unable to satisfy their respective funding requirements.

The Company is one of a number of employers who have pooled the assets and liabilities of the pension plan to take advantage of economies of scale in making investment decisions and in minimizing expenses. The information to account for the plan as a defined benefit plan is not readily available for each company to determine its share of the assets and liabilities of the plan. In the event of a wind-up or withdrawal from the plan, the Company is responsible for its portion of the deficit and all expenses as determined by the plan actuary.

The defined benefit plan has been closed to future employees effective January 1, 2014. The Company and all current employees enrolled prior to that date who are accruing benefits under the defined benefit plan continue to contribute to the defined benefit plan according to the existing terms of the agreement.

ii) *Defined contribution pension plan*

Eligible employees hired after January 1, 2014, are enrolled in the defined contribution plan. The Company makes, on behalf of its employees, matching contributions up to 7.5% of their gross salary. The plan is a money purchase plan.

g) STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after January 1, 2024 and earlier application is permitted; however, the Company has not early adopted the new standards in preparing these financial statements. The following standards are expected to have a material impact on the Company's financial statements in the period of initial application.

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued narrow scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments were incorporated into Part I of the CPA Canada Handbook – Accounting in October 2024.

The amendments:

- Provide clarification that a financial liability is derecognized on the 'settlement date', i.e., the date on which the liability is extinguished as the obligation specified in the contract is discharged or cancelled or expired. For financial liabilities settled in payments of cash, this means that a financial liability is derecognized when the cash payment has cleared the receiving entity's bank account;

3. MATERIAL ACCOUNTING POLICIES (Continued)

g) STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

- Provide an accounting policy option to derecognize a financial liability that is settled in cash using an electronic payment system before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option shall apply it to all settlements made through the same electronic payment system;
- Emphasize that a financial asset is derecognized when the contractual rights to the cash flows expire or the asset is transferred;
- Clarify how to assess the contractual cash flow characteristics of financial assets with contingent features, including environmental, social and corporate governance (ESG) linked features;
- Clarify that, for a financial asset to have 'non-recourse' features, the entity's ultimate right to receive cash flows must be contractually limited to the cash flows generated by specified assets. The amendments also include factors that an entity should consider when assessing the cash flows underlying a financial asset with non-recourse features (the 'look through' test);
- Clarify the characteristics of the contractually linked instruments that distinguish them from other transactions; and
- Add new disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments that have certain contingent features.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier application is permitted. The amendments are to be applied retrospectively. In applying the amendments, an entity is not required to restate comparative periods.

The Company is still in the process of assessing the impact of the new accounting standards and amendments to existing account standards, particularly with respect to the structure of the Company's Statement of Comprehensive Income, the Statement of Cash Flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

h) STRUCTURED SETTLEMENTS AND FIRE MUTUALS GUARANTEE FUND

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

The Company is a member of the Fire Mutuals Guarantee Fund (the Fund). The Fund was established to provide payment of outstanding policyholders' claims if a member Company becomes bankrupt. As a result, the Company may be required to contribute assets to their proportionate share in meeting this objective.

4. CRITICAL ACCOUNTING ESTIMATES

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. The Company consolidates information and does not provide a separate breakdown for its major product lines; instead, it presents them as a unified portfolio.

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

Estimates and Assumptions (Continued)

The Company applies the PAA to simplify the measurement of insurance contracts. However, when measuring liabilities for incurred claims, the Company includes an explicit risk adjustment for non-financial risk.

a) 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 projects 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.

i. Discount rates

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

Discount rates (in %) applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2025	2024	2025	2024	2025	2024	2025	2024
Insurance Contract Liabilities	2.33	3.06	2.75	3.01	3.11	3.20	3.94	3.84
Reinsurance Contract Assets	2.33	3.06	2.75	3.01	3.11	3.20	3.94	3.84

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in Note 5 (a).

ii. Risk adjustment for non-financial risk

The measurement of insurance contract liabilities includes a risk adjustment for non-financial risk to be applied to the present value of the estimated future cash flows. The risk adjustment is the Company's compensation for bearing the uncertainty relating to non-financial risk which pertains to the amount and timing of cash flows as the Company fulfills insurance contracts. The Company has estimated the risk adjustment using a confidence level approach at the 60th - 80th percentile (2024 - 65th - 70th percentile).

4. CRITICAL ACCOUNTING ESTIMATES (Continued)

ii. Risk adjustment for non-financial risk

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in Note 5 (a).

iii. Measurement of insurance acquisition cash flows

Management exercise judgement when determining the allocation basis applied to insurance acquisition cash flows.

5. INSURANCE AND REINSURANCE CONTRACTS

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 minimise potential adverse effects on the Company's financial performance.

The risks written by the Company are concentrated within Ontario.

a) Insurance risk

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

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company has implemented an overall risk management framework. Exposures are limited by having documented underwriting limits, appetite and approvals. Pricing of property, and liability policies are based on assumptions, past experience, current trends, and future expectations, in an attempt to correctly match policy revenue with exposed risk. Automobile premiums are subject to approval by the Financial Services Regulatory Authority of Ontario and therefore may result in a delay in adjusting the pricing to exposed risk.

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are established by product line. Amounts recoverable from the reinsurer are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of \$800,000 (2024 - \$800,000) in the event of a property claim, \$800,000 (2024 - \$800,000) in the event of an automobile claim, \$800,000 (2024 - \$800,000) in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to \$1,950,000 (2024 - \$1,950,000) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 70% (2024 - 70%) of gross net earned premiums.

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

a) Insurance risk (Continued)

i. Sensitivities

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

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

2025					
	Change in assumptions	Impact on income before tax, gross of reinsurance	Impact on income before tax, net of reinsurance	Impact on policyholders' surplus, gross of reinsurance	Impact on policyholders' surplus, net of reinsurance
		\$'000	\$'000	\$'000	\$'000
Expected loss	5.0%	(316)	(206)	(232)	(151)
Inflation Rate	1.0%	(143)	(113)	(105)	(83)
Discount Rate	1.0%	136	107	100	79
Expected Loss	-5.0%	315	205	232	151
Inflation Rate	-1.0%	141	111	104	82
Discount Rate	-1.0%	(141)	(111)	(104)	(82)
2024					
	Change in assumptions	Impact on income before tax, gross of reinsurance	Impact on income before tax, net of reinsurance	Impact on policyholders' surplus, gross of reinsurance	Impact on policyholders' surplus, net of reinsurance
		\$'000	\$'000	\$'000	\$'000
Expected loss	5.0%	(266)	(174)	(196)	(128)
Inflation Rate	1.0%	(130)	(87)	(96)	(64)
Discount Rate	1.0%	122	82	90	60
Expected Loss	-5.0%	267	174	196	128
Inflation Rate	-1.0%	127	85	93	62
Discount Rate	-1.0%	(127)	(85)	(93)	(62)

ii. Claims development

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

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

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

(a) Insurance risk (Continued)

ii. Claims development (Continued)

Gross and Net undiscounted liabilities for incurred claims for 2025

Amounts in \$'000	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Gross of Reinsurance											
End of insured event year	6,245	7,741	8,627	6,669	7,515	8,756	9,959	9,802	8,106	12,251	
One year later	5,380	6,369	7,513	5,961	6,082	9,771	11,329	10,675	7,202		
Two years later	4,647	5,919	6,637	5,237	5,733	9,306	11,433	10,433			
Three years later	4,396	6,174	6,409	5,139	5,423	10,144	10,799				
Four years later	4,469	5,866	6,469	5,132	5,390	10,215					
Five years later	4,228	5,894	6,010	4,922	5,390						
Six years later	4,108	5,744	6,096	4,897							
Seven years later	4,108	5,719	6,348								
Eight years later	4,108	5,719									
Nine years later	4,108										
Gross estimates of the undiscounted amount of the claims	4,108	5,719	6,348	4,897	5,390	10,215	10,799	10,433	7,202	12,251	77,362
Cumulative payments to date	(4,108)	(5,719)	(5,905)	(4,862)	(5,395)	(10,097)	(10,142)	(9,418)	(5,942)	(4,416)	(66,004)
Gross undiscounted liabilities for incurred claims	-	-	443	35	(5)	118	657	1,015	1,260	7,835	11,358
Risk Adjustment											563
Effect of Discounting											(405)
Gross IBNR											703
Total liabilities for incurred claims											\$ 12,219

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

(a) Insurance risk (Continued)

ii. Claims development (Continued)

Gross and Net undiscounted liabilities for incurred claims for 2025 (Continued)

Amounts in \$'000	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Net of Reinsurance											
End of insured event year	4,900	5,297	7,548	5,740	6,508	8,169	9,514	7,916	7,642	11,273	
One year later	4,575	5,679	6,955	5,498	5,674	9,093	9,102	10,053	6,666		
Two years later	4,474	5,518	6,482	5,139	5,517	9,020	8,798	10,141			
Three years later	4,390	5,677	6,409	5,139	5,351	9,628	9,788				
Four years later	4,469	5,369	6,469	5,132	5,318	9,674					
Five years later	4,228	5,397	6,024	4,922	5,318						
Six years later	4,108	5,238	6,065	4,897							
Seven years later	4,108	5,222	6,065								
Eight years later	4,108	5,222									
Nine years later	4,108										
Net estimates of the undiscounted amount of the claims	4,108	5,222	6,065	4,897	5,318	9,674	8,788	10,141	6,666	11,273	72,152
Cumulative payments to date	(4,108)	(5,222)	(5,919)	(4,862)	(5,323)	(9,556)	(8,570)	(9,356)	(5,941)	(4,506)	(63,363)
Net undiscounted liabilities for incurred claims	-	-	146	35	(5)	118	218	785	725	6,767	8,789
Risk Adjustment											531
Effect of Discounting											(323)
Net IBNR											703
Total net liabilities for incurred claims											\$ 9,700

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management

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

i. Credit risk

Credit risk is the risk of financial loss to the Company if a debtor fails to make payments of interest and principal when due. The Company is exposed to this risk relating to its debt holdings in its investment portfolio and the reliance on the reinsurer to make payment when certain loss conditions are met.

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

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the creditworthiness of Farm Mutual Re by reviewing their annual financial statements, monitoring their A.M. Best rating and through ongoing communications. Reinsurance treaties are reviewed annually by management and the Board prior to renewal of the reinsurance contract.

The Company manages its credit exposure principally through its investment securities and reinsurance contract assets. The table below provides information regarding the credit quality of reinsurance contract assets and debt instruments measured at FVTPL.

	2025			
	A or better	Less than A	Not Rated	Total
Cash and cash equivalents	\$ 2,644,224	\$ -	\$ -	\$ 2,644,224
Pooled funds - fixed income	21,392,579	-	-	21,392,579
Reinsurance contract assets	-	2,519,375	-	2,519,375
Maximum credit risk exposure	\$ 24,036,803	\$ 2,519,375	\$ -	\$ 26,556,178

	2024			
	A or better	Less than A	Not Rated	Total
Cash and cash equivalents	\$ 2,526,297	\$ -	\$ -	\$ 2,526,297
Term deposits	1,037,001	-	-	1,037,001
Pooled funds - fixed income	16,575,804	-	-	16,575,804
Reinsurance contract assets	-	2,666,105	-	2,666,105
Maximum credit risk exposure	\$ 20,139,102	\$ 2,666,105	\$ -	\$ 22,805,207

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

i. Credit risk (Continued)

Concentrations of credit risk

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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

ii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or a client. Claim payments are funded by current operating cash flow including investment income.

The Company also maintains a minimum of 5% of its investable assets in cash and money market investments to manage short-term liquidity issues.

The maturity profile of the Company's financial assets and financial liabilities and insurance liabilities 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. Liabilities for remaining coverage measure under the PAA have been excluded from the analysis.

	For the year ended December 31, 2025						
	2025	2026	2027	2028	2029	>2029	
	1 year	2 year	3 year	4 year	5 year	>5 year	Total
Financial assets							
Cash and cash equivalents	\$ 2,644,224	-	-	-	-	-	\$ 2,644,224
Investments	17,023,919	2,319,030	1,792,158	1,168,473	3,453,419	12,228,618	37,985,617
Insurance assets							
Reinsurance contract assets	1,437,529	534,003	357,021	153,777	11,170	25,875	2,519,375
Total assets	\$ 21,105,672	\$ 2,853,033	\$ 2,149,179	\$ 1,322,250	\$ 3,464,589	\$ 12,254,493	\$ 43,149,216
Insurance liabilities							
Liability for incurred claims	\$ 8,100,246	\$ 1,669,042	\$ 1,053,930	\$ 646,562	\$ 335,943	\$ 255,491	\$ 12,061,214
Financial liabilities							
Accounts payable and accrued liabilities	254,578	-	-	-	-	-	254,578
Total liabilities	\$ 8,354,824	\$ 1,669,042	\$ 1,053,930	\$ 646,562	\$ 335,943	\$ 255,491	\$ 12,315,792
Net liquidity position	\$ 12,750,848	\$ 1,183,991	\$ 1,095,249	\$ 675,688	\$ 3,128,646	\$ 11,999,002	\$ 30,833,424

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

ii. Liquidity risk (Continued)

	For the year ended December 31, 2024						Total
	2024 1 year	2025 2 year	2026 3 year	2027 4 year	2028 5 year	>2028 >5 year	
Financial assets							
Cash and cash equivalents	\$ 2,526,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,526,297
Investments	12,554,496	524,356	6,507,674	1,458,544	1,182,170	10,431,976	32,659,216
Insurance assets							
Reinsurance contract assets	1,232,803	857,108	174,617	253,335	116,678	31,564	2,666,105
Total assets	\$ 16,313,596	\$ 1,381,464	\$ 6,682,291	\$ 1,711,879	\$ 1,298,848	\$ 10,463,540	\$ 37,851,618
Insurance liabilities							
Liability for incurred claims	\$ 6,197,048	\$ 1,490,726	\$ 863,858	\$ 751,994	\$ 294,821	\$ 232,118	\$ 9,830,565
Financial liabilities							
Accounts payable and accrued liabilities	153,777	-	-	-	-	-	153,777
Total liabilities	\$ 6,350,825	\$ 1,490,726	\$ 863,858	\$ 751,994	\$ 294,821	\$ 232,118	\$ 9,984,342
Net liquidity position	\$ 9,962,771	\$ (109,262)	\$ 5,818,433	\$ 959,885	\$ 1,004,027	\$ 10,231,422	\$ 27,867,276

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

iii. Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument, insurance contract issued or reinsurance contract held will fluctuate because of changes in market prices. Market risk includes interest rate risk, price risk and currency risk.

a) *Interest rate risk*

Finance income or expenses from insurance contracts issued and reinsurance contracts held reflect changes in insurance contract liabilities valuations, driven by factors like discount rate adjustments and financial assumptions; refer to Note 5 (a)i. These valuations, in turn, impact the Company's financial results. Prudent risk management strategies ensure stability in financial performance, underscoring the crucial link between investment returns and our insurance business.

The Company is also exposed to interest rate risk through its interest-bearing investments.

At December 31, 2025, a 1% move in interest rates, with all other variables held constant, could impact the market value of the interest bearing investments by \$1,308,544 (2024 - \$1,067,784) in the Statement of Comprehensive Income and \$961,780 (2024 - \$784,821) in the Statement of Policyholders' Surplus.

b) *Price risk*

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

b) Financial risk management (Continued)

iii. Market risk (Continued)

At December 31, 2025, a 10% move in equity markets, with all other variables held constant, would have an estimated effect on the fair values of these equity holdings of \$1,026,000 (2024 - \$1,037,000) in the Statement of Comprehensive Income and \$754,110 (2024 - \$762,195) in the Statement of Policyholders' Surplus.

The Company has investment policies regarding limits on the total amount invested in equities as well as limits on securities of a single issuer. Adherence to the policies are monitored by the Board of Directors and holdings are adjusted on a quarterly basis to ensure compliance with the policies.

c) Currency risk

Currency risk represents the risk that the Company incurs losses due to exposure to foreign currency fluctuations. The Company is exposed to this risk through its equity holdings within its investment portfolio.

At December 31, 2025, a 10% change in the value of the United States dollar would have an estimated effect on the fair values of these foreign holdings of \$66,922 (2024 - \$9,178). This change would be recognized in the Statement of Comprehensive Income.

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

c) 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.

<i>For the period ended December 31, 2025</i>	Liabilities for		Liabilities for incurred claims		TOTAL
	remaining coverage Ex. Loss Component		Expected PVFCF*	Risk Adjustment	
Opening balance insurance contract liabilities	\$ 3,322,869	\$	9,420,565	\$ 467,624	\$ 13,211,058
Insurance revenue	(22,096,496)		-	-	(22,096,496)
Incurred claims and directly attributable expenses	-		15,324,950	356,758	15,681,708
Amortization of insurance acquisition cash flows	5,282,404		-	-	5,282,404
Adjustments to liabilities for incurred claims	-		(1,483,341)	(261,232)	(1,744,573)
Total insurance service expenses	5,282,404		13,841,609	95,526	19,219,539
Insurance service result	(16,814,092)		13,841,609	95,526	(2,876,957)
Finance expense from insurance contracts issued	-		355,354	-	355,354
Total Changes in the Statement of Comprehensive Income	(16,814,092)		14,196,963	95,526	(2,521,603)
Cash Flows					
Premiums received for insurance contracts	23,147,872		-	-	23,147,872
Claims and other expenses paid	-		(11,961,314)	-	(11,961,314)
Insurance acquisition cash flows	(5,322,411)		-	-	(5,322,411)
Total Cash Flows	17,825,461		(11,961,314)	-	5,864,147
Ending balance insurance contract liabilities	\$ 4,334,238	\$	11,656,214	\$ 563,150	\$ 16,553,602

* PVFCF refers to present value of future cash flows

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

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

<i>For the period ended December 31, 2024</i>	Liabilities for remaining coverage		Liabilities for incurred claims		TOTAL	
	Ex. Loss Component		Expected PVFCF*	Risk Adjustment		
Opening balance insurance contract liabilities	\$	3,379,646	\$	8,767,549	\$	12,604,289
Insurance revenue		(19,094,394)		-		(19,094,394)
Incurred claims and directly attributable expenses		-		8,957,816		9,142,996
Amortization of insurance acquisition cash flows		4,475,083		-		4,475,083
Adjustments to liabilities for incurred claims		-		1,632,876		1,458,226
Total insurance service expenses		4,475,083		10,590,692		15,076,305
Insurance service result		(14,619,311)		10,590,692		(4,018,089)
Finance expense from insurance contracts issued		-		447,683		447,683
Total Changes in the Statement of Comprehensive Income		(14,619,311)		11,038,375		(3,570,406)
Cash Flows						
Premiums received for insurance contracts		19,879,066		-		19,879,066
Claims and other expenses paid		-		(10,385,359)		(10,385,359)
Insurance acquisition cash flows		(5,316,532)		-		(5,316,532)
Total Cash Flows		14,562,534		(10,385,359)		4,177,175
Ending balance insurance contract liabilities	\$	3,322,869	\$	9,420,565	\$	13,211,058

- PVFCF refers to present value of future cash flows

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance 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.

<i>For the period ended December 31, 2025</i>	Liabilities for remaining coverage Ex. Loss Component	Liabilities for incurred claims Expected PVFCF	Risk Adjustment	TOTAL
Net opening reinsurance contract held balances	\$ (380,688)	\$ 2,921,770	\$ 125,023	\$ 2,666,105
Changes in Statement of Comprehensive Income				
Allocation of reinsurance premiums ceded	(3,286,664)	-	-	(3,286,664)
Incurred claims recovered and other directly attributable expenses	-	1,002,944	19,838	1,022,782
Adjustments to assets for incurred claims	-	(606,018)	(113,150)	(719,168)
Amounts recoverable from reinsurers	-	396,926	(93,312)	303,614
Net expenses from reinsurance contracts held	(3,286,664)	396,926	(93,312)	(2,983,050)
Finance income from reinsurance contracts held	-	89,627	-	89,627
Total Changes in the Statement of Comprehensive Income	(3,286,664)	486,553	(93,312)	(2,893,423)
Cash Flows				
Premiums paid	3,667,352	-	-	3,667,352
Amounts received	-	(920,659)	-	(920,659)
Total Cash Flows	3,667,352	(920,659)	-	2,746,693
Net ending reinsurance contract held balances	\$ -	\$ 2,487,664	\$ 31,711	\$ 2,519,375

- PVFCF refers to present value of future cash flows

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

5. INSURANCE AND REINSURANCE CONTRACTS (Continued)

d) Reinsurance contracts

<i>For the period ended December 31, 2024</i>	Liabilities for remaining coverage Ex. Loss Component	Liabilities for incurred claims Expected PVFCF* Risk Adjustment		TOTAL
Net opening reinsurance contract held balances	\$ (104,190)	\$ 4,416,367	\$ 196,538	\$ 4,508,715
Changes in Statement of Comprehensive Income				
Allocation of reinsurance	(2,554,412)	-	-	(2,554,412)
Incurred claims recovered and other directly attributable expenses	-	426,677	18,017	444,694
Adjustments to assets for incurred	-	(1,058,143)	(89,532)	(1,147,675)
Amounts recoverable from reinsurers	-	(631,466)	(71,515)	(702,981)
Net expenses for reinsurance	(2,554,412)	(631,466)	(71,515)	(3,257,393)
Finance income from reinsurance contracts held	-	164,845	-	164,845
Total Changes in the Statement of Comprehensive Income	(2,554,412)	(466,621)	(71,515)	(3,092,548)
Premiums paid	2,277,914	-	-	2,277,914
Amounts received	-	(1,027,976)	-	(1,027,976)
Total Cash Flows	2,277,914	(1,027,976)	-	1,249,938
Net ending reinsurance contract held balances	\$ (380,688)	\$ 2,921,770	\$ 125,023	\$ 2,666,105

- PVFCF refers to present value of future cash flows

6. INSURANCE SERVICE EXPENSE

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

	2025	2024
Claims and benefits	\$ 12,049,836	\$ 9,679,602
Salaries and employee benefits	1,865,137	1,596,120
Professional fees	382,262	189,689
Legal fees	26,613	21,882
Depreciation	199,632	206,880
Commissions	2,834,862	2,421,173
Occupancy	415,980	466,372
Information technology	1,159,163	916,118
Other	493,960	471,538
Total	\$ 19,427,445	\$ 15,969,374
Represented by:	2025	2024
Insurance service expenses	\$ 19,219,539	\$ 15,076,305
General and operating expenses	207,905	893,069
Total	\$ 19,427,445	\$ 15,969,374

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

7. INVESTMENTS

	December 31, 2025		December 31, 2024	
	Cost	Fair Value	Cost	Fair Value
Term Deposits	\$ -	\$ -	\$ 1,000,000	\$ 1,037,001
Equity				
Foreign Equity	262,567	331,608	267,317	301,118
Canadian Equity	253,180	337,609	250,047	292,534
	515,747	669,217	517,364	593,652
Pooled funds				
Canadian Fixed Income	21,444,510	21,392,579	16,578,511	16,575,804
Canadian Equity	8,727,705	10,259,505	8,663,922	9,778,208
Commercial Mortgages	5,595,805	5,634,803	4,373,939	4,387,294
	35,768,020	37,286,887	29,616,372	30,741,306
Other investments				
Mortgage	-	-	257,951	257,951
Fire Mutuals guarantee fund	29,513	29,513	29,306	29,306
	29,513	29,513	287,257	287,257
Total investments	\$ 36,313,280	\$ 37,985,617	\$ 31,420,993	\$ 32,659,216

As of December 31, 2025, the Company has accrued interest of \$nil (2024 - \$37,001).

The rate of return of the pooled funds portfolio held is 4.21% as at December 31, 2025 (2024 - 3.91%).

The Company has categorized its assets measured at fair value into the three-level fair value hierarchy as summarized in the following table, based on the priority of the inputs to the respective valuation technique as defined in Note 3 (b)i:

	Level 1	Level 2	Level 3	Total
December 31, 2025				
Equities	\$ 669,217	\$ -	\$ -	\$ 669,217
Pooled funds	-	31,652,084	5,634,803	37,286,887
Other investments	-	29,513	-	29,513
	\$ 669,217	\$ 31,681,597	\$ 5,634,803	\$ 37,985,617
December 31, 2024				
Term Deposits	\$ -	\$ 1,037,001	\$ -	\$ 1,037,001
Equities	593,652	-	-	593,652
Pooled funds	-	26,354,012	4,387,294	30,741,306
Other investments	-	29,306	257,951	287,257
	\$ 593,652	\$ 27,420,319	\$ 4,645,245	\$ 32,659,216

There were no transfers between Level 1, Level 2 and Level 3 for the year ended December 31, 2025.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

7. INVESTMENTS (Continued)

A portion of the Company's investment in pooled funds is invested in a Canadian mortgage pooled fund. The Level 3 commercial mortgage pooled funds are valued based on the net asset values of the fund as provided by the investment manager of the fund. The commercial mortgages in the commercial mortgage pooled fund are valued at the present value of discounted future cash flows. The discount rate is based on the equivalent Government of Canada rate and an additional spread to compensate for a loan's particular risk. Significant unobservable inputs include discount rates, capitalization rates, rent forecasts, market interest rates and credit spreads. Due to the use of unobservable data and their limited liquidity, the investment in this fund is classified at Level 3.

The reconciliation of financial instruments at fair value using unobservable inputs (Level 3) is as follows:

	2025	2024
Balance, beginning of the year	\$ 4,645,245	\$ 5,301,160
Net purchases and (sales)	950,560	(669,270)
Unrealized gains	38,998	13,355
Balance, end of the year	\$ 5,634,803	\$ 4,645,245

NET INVESTMENT INCOME

	2025	2024
Net realized gains on sale of FVTPL financial assets	\$ 117,889	\$ 392,270
Interest income	864,652	796,224
Dividend income	858,741	657,729
Unrealized gains on FVTPL financial assets	471,115	1,066,150
Investment fees	(168,880)	(123,087)
Other (loss) income	(8,277)	16,476
	\$ 2,135,240	\$ 2,805,762

8. INCOME TAXES

The significant components of tax (recovery) expense included in net income are composed of:

	2025	2024
Current tax expense	\$ 595,788	\$ 551,250
Deferred tax (recovery) expense	(256,892)	331,997
Provision for income taxes	\$ 338,896	\$ 883,247

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

	2025	2024
Income before income taxes	\$ 1,654,443	\$ 2,599,861
Expected taxes based on the statutory rate of 26.5% (2024 - 26.5%)	438,427	688,963
Canadian dividend income	(26,500)	(7,072)
Permanent differences and other	(73,031)	(281,581)
Other timing differences	-	482,937
Provision for income taxes	\$ 338,896	\$ 883,247

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

9. PROPERTY AND EQUIPMENT

Cost		Land	Buildings	Computer hardware	Furniture and equipment	Total
Balance as at January 1, 2024	\$	156,370	\$ 5,455,708	\$ 699,421	\$ 563,147	\$ 6,874,646
Additions		-	-	10,778	6,213	16,991
Disposals		-	(162,133)	-	-	(162,133)
Balance on December 31, 2024		156,370	5,293,575	710,199	569,360	6,729,504
Additions		-	-	1,242	-	1,242
Balance on December 31, 2025	\$	156,370	\$ 5,293,575	\$ 711,441	\$ 569,360	\$ 6,730,746
Accumulated depreciation						
Balance as at January 1, 2024	\$	-	\$ 497,489	\$ 669,519	\$ 372,888	\$ 1,539,896
Depreciation expense		-	150,549	14,859	41,472	206,880
Disposals		-	(45,270)	-	-	(45,270)
Balance on December 31, 2024		-	602,768	684,378	414,360	1,701,506
Depreciation expense		-	143,119	14,755	41,758	199,632
Balance on December 31, 2025	\$	-	\$ 745,887	\$ 699,133	\$ 456,118	\$ 1,901,138
Net book value						
December 31, 2024	\$	156,370	\$ 4,690,807	\$ 25,821	\$ 155,000	\$ 5,027,998
December 31, 2025	\$	156,370	\$ 4,547,688	\$ 12,308	\$ 113,242	\$ 4,829,608

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED December 31, 2025

10. PENSION PLANS

a) Defined contribution pension plan

The amount contributed to the defined contribution plan for 2025 was \$177,664 (2024 - \$148,511). The contributions were made for current service. This was recognized in the Statement of Comprehensive Income. These contributions amount to 1% of the total contributions made to the pension plan by all participating entities during the current fiscal year. Expected contributions to the plan for the next annual reporting period amount to \$156,389 (2024 - \$173,298), which is based on payments made to the multi-employer plan during the current fiscal year.

An actuarial valuation of the pension plan as of December 31, 2024, showed a going-concern surplus position. The next actuarial valuation to be filed under the Pension Benefit Act will be as of December 31, 2027.

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

b) Defined benefit pension plan

The amount contributed to the plan for 2025 was \$7,998 (2024 - \$8,116). Expected contributions to the plan for the next annual reporting period amount to \$8,171 (2024 - \$7,933), which is based on payment made to the plan during the current fiscal year.

11. RELATED PARTY TRANSACTIONS

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

	2025	2024
Compensation		
Short-term employee benefits and directors' fees	\$ 624,577	\$ 563,201
Total pension and other post-employment benefits	101,333	82,060
	\$ 725,910	\$ 645,261
Premiums written	\$ 103,402	\$ 104,376
Claims paid	\$ 2,727	\$ 41,082

12. CAPITAL MANAGEMENT

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

The Company's objectives with respect to capital management are to ensure adequate funding is available to pay policyholder claims and maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

12. CAPITAL MANAGEMENT (Continued)

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators require property and casualty companies to comply with capital adequacy requirements. This test compares a Company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors. Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest-sensitive assets and liabilities to changes in interest rates.

The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement or if deemed necessary.

13. SUBSEQUENT EVENT

The Company has signed a pre-amalgamation agreement with another mutual insurance company. The proposed amalgamation is subject to approval from each company's policyholders, regulatory approval by the Financial Services Regulatory Authority of Ontario (FSRA) and the consent of the company's partners: The Ontario Mutual Insurance Association (OMIA), Farm Mutual Reinsurance Plan Inc, (Farm Mutual Re), and the Trustees of the Fire Mutuals Guarantee Fund. Management has not yet determined the impact of the amalgamation on its financial statements.