

Consolidated Financial Statements of

**DUFFERIN MUTUAL
INSURANCE COMPANY**

And Independent Auditor's Report thereon

Year ended December 31, 2024



KPMG LLP

120 Victoria Street South
Suite 600
Kitchener, ON N2G 0E1
Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Policyholders of Dufferin Mutual Insurance Company

Opinion

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

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in members' surplus for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

Management is responsible for the preparation and fair presentation of the 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.



Page 3

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

February 28, 2025

DUFFERIN MUTUAL INSURANCE COMPANY

Consolidated Statement of Financial Position

December 31, 2024, with comparative information for 2023

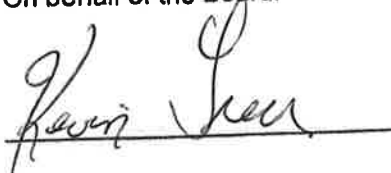
| | 2024 | 2023 |
|---------------------------------------|----------------------|----------------------|
| Assets | | |
| Cash | \$ 2,920,656 | \$ 2,632,936 |
| Invested assets (note 5) | 11,147,841 | 10,850,149 |
| Investment in associated company | 704,025 | 622,029 |
| Accrued investment income | 55,887 | 44,783 |
| Due from related party | — | 30,000 |
| Reinsurance contract assets (note 8) | 4,522,116 | 1,285,251 |
| Income tax recoverable and receivable | 4,998 | — |
| Other receivables | 56,234 | — |
| Prepaid expenses | 49,287 | 85,288 |
| Property and equipment (note 7) | 440,614 | 559,247 |
| Deferred tax asset (note 14) | 27,000 | — |
| Total assets | \$ 19,928,658 | \$ 16,109,683 |

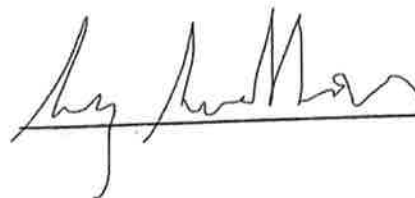
Liabilities and Members' Surplus

| | | |
|---|----------------------|----------------------|
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 574,299 | \$ 497,612 |
| Insurance contract liabilities (note 8) | 8,980,333 | 4,463,089 |
| Income taxes payable | — | 271,894 |
| Deferred income taxes (note 14) | — | 118,622 |
| Lease liabilities (note 12) | 296,095 | 370,420 |
| | 9,850,727 | 5,721,637 |
| Members' surplus: | | |
| Unappropriated members' surplus | 10,077,931 | 10,388,046 |
| Total liabilities and members' surplus | \$ 19,928,658 | \$ 16,109,683 |

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

 Director

 Director

DUFFERIN MUTUAL INSURANCE COMPANY

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|--|---------------------|---------------------|
| Insurance revenue | \$ 11,203,201 | \$ 9,847,407 |
| Insurance service expense (note 16) | (14,021,738) | (4,597,483) |
| Insurance service result before reinsurance | (2,818,537) | 5,249,924 |
| Reinsurance premiums ceded | (3,247,032) | (2,673,545) |
| Recoverable from reinsurers for incurred claims | 5,028,164 | (366,961) |
| Net income (expense) from reinsurance contracts held | 1,781,132 | (3,040,506) |
| Insurance service result | (1,037,405) | 2,209,418 |
| Net investment income (loss) (note 6) | 1,026,876 | 918,742 |
| Finance income (expense) from insurance contracts issued | (276,369) | 341,000 |
| Finance income (expense) from reinsurance contracts held | 147,853 | (86,000) |
| Net financial result | 898,360 | 1,173,742 |
| General and operating expenses (note 16) | (324,913) | (2,080,010) |
| Net income (loss) before tax | (463,958) | 1,303,150 |
| Income tax expense (recovery): (note 15) | | |
| Current | (8,221) | 268,327 |
| Deferred | (145,622) | (6,215) |
| | (153,843) | 262,112 |
| Net income (loss) and total comprehensive income (loss) | \$ (310,115) | \$ 1,041,038 |

See accompanying notes to the consolidated financial statements.

DUFFERIN MUTUAL INSURANCE COMPANY

Consolidated Statement of Changes in Members' Surplus

For the year ended December 31, 2024, with comparative information for 2023

| | Unappropriated Members' surplus |
|---|------------------------------------|
| Balance, December 31, 2022 | \$ 9,347,008 |
| Total comprehensive income for the year | 1,041,038 |
| Balance, December 31, 2023 | 10,388,046 |
| Total comprehensive loss for the year | (310,115) |
| Balance, December 31, 2024 | \$ 10,077,931 |

See accompanying notes to the consolidated financial statements.

DUFFERIN MUTUAL INSURANCE COMPANY

Consolidated Statement of Cash Flows

For the year ended December 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|---|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Comprehensive income (loss) | \$ (310,115) | \$ 1,041,038 |
| Items not involving cash: | | |
| Amortization | 129,926 | 177,742 |
| Deferred income taxes | (145,622) | (6,215) |
| Net investment gains | (492,500) | (507,834) |
| Equity pickup from investment in associated company | (81,996) | 17,933 |
| Change in non-cash operating items: | | |
| Accrued interest | (11,104) | (1,733) |
| Reinsurance contract assets | (3,236,865) | 992,438 |
| Prepaid expenses | 36,001 | (50,534) |
| Other receivables | (56,234) | – |
| Income taxes receivable / payable | (276,892) | 268,328 |
| Accounts payable and accrued liabilities | 76,687 | 86,268 |
| Insurance contract liabilities | 4,517,244 | (1,405,979) |
| | 148,530 | 611,452 |
| Investing activities: | | |
| Related party advance | 30,000 | (30,000) |
| Proceeds on sale of investments | 1,074,280 | 1,973,027 |
| Purchase of investments | (879,472) | (2,022,743) |
| Purchase of property and equipment | (11,293) | (12,214) |
| | 213,515 | (91,930) |
| Financing activities: | | |
| Repayment of lease liabilities | (74,325) | (69,087) |
| | (74,325) | (69,087) |
| Increase in cash | 287,720 | 450,435 |
| Cash, beginning of year | 2,632,936 | 2,182,501 |
| Cash, end of year | \$ 2,920,656 | \$ 2,632,936 |

See accompanying notes to consolidated financial statements.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements

Year ended December 31, 2024

Dufferin Mutual Insurance Company (the "Company") was incorporated without share capital under the laws governed in Ontario on May 15, 1895. The Company is licensed to write property, auto and liability insurance in Ontario. The Company's products are marketed through independent agents and brokers located throughout Ontario. The address of the Company's registered office is 802 Main Street East, Unit 4, Shelburne, Ontario.

The Company is subject to rate regulation on the automobile business that it writes. Before automobile insurance rates can be changed, a rate filing is prepared as a combined filing for most Ontario Farm Mutuals by the Ontario Mutual Insurance Association ("OMIA"). 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 ("FSRA"). Rate regulation may affect the automobile revenues that are earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

1. Basis of presentation:

(a) Statement of compliance:

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

The consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2024.

(b) Basis of measurement:

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

- financial assets classified as fair value through profit or loss ("FVTPL") are measured at fair value
- and insurance and reinsurance contract assets and liabilities

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Except as otherwise indicated, all financial information presented is in Canadian dollars.

(d) Use of estimates and judgments:

The preparation of the consolidated 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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

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 the amounts recognized in the consolidated financial statements is discussed in note 3.

(e) Statement of financial position:

The Company presents its consolidated statement of financial position broadly in order of liquidity.

2. 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) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are insurance brokerages controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The consolidated financial statements include all financial operations of Dufferin Mutual Insurance Company and its wholly-owned subsidiaries Mount Forest Insurance Brokers and 2598738 Ontario Inc.

(ii) Transactions eliminated on consolidation:

Intra-company balances and transactions, and any unrealized revenue and expenses arising from intra-company transactions, are eliminated in preparing these consolidated financial statements.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(b) Investment in Associated Company:

On December 15, 2017, 2598738 Ontario Inc., entered into an agreement with two unrelated companies to acquire the issued and outstanding shares of 2037462 Ontario Inc., which owns 100% of the issued and outstanding shares of 11293374 Ontario Inc., operating as Norwich Insurance Brokers. Each company acquired 33.33% of the issued shares of 2037462 Ontario Inc. As the investment meets the definition of an associated company as defined under IAS 28, the Company applies the equity method of accounting.

(c) Financial instruments:

(i) Financial assets:

Under IFRS 9, the Company classifies its financial assets into the following categories:

- financial instruments mandatorily measured at FVTPL; or,
- financial instruments measured at amortized cost.

The classification and measurement of debt instruments depends on the Company's business model for managing the financial assets to generate cash flows and whether the contractual cash flows represent solely payment of principal and interest ("SPPI").

Equity investments are required to be measured at FVTPL, except where the Company has elected at initial recognition to irrevocably designate an equity instrument, held for purposes other than trading, at fair value through other comprehensive income ("FVOCI"). No such election has been made by the Company.

Financial instruments mandatorily measured at FVTPL

Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a managed portfolio with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at FVTPL if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis.

Trading and non-trading financial instruments mandatorily measured at FVTPL are remeasured at fair value as at the statement of financial position date. Gains and losses realized on disposition, unrealized gains and losses from changes in fair value and investment income are included in profit and loss. Transaction costs are expensed as incurred. Dividends are recognized on the ex-dividend date and interest is recognized on an accrual basis. Both dividends and interest are included in interest income.

Financial instruments mandatorily measured at FVTPL comprise the Company's bonds and equities.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Financial instruments (continued):

(i) Financial assets (continued):

Financial instruments measured at amortized cost

Under IFRS 9, financial instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for expected credit losses ("ECL"). Interest income from these financial instruments is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive (loss) income and equity.

Financial instruments measured at amortized cost comprise receivables arising from insurance contracts and other receivables. Due to the short-term nature of these financial instruments, carrying value is considered to approximate fair value.

(ii) Financial liabilities:

Financial liabilities are recognized initially at fair value. The fair value on initial recognition is the fair value of the consideration received. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities comprise payables arising from insurance contracts, and trade payables and accrued liabilities. Due to the short-term nature of payables, carrying value is considered to approximate fair value.

(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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Financial instruments (continued):

(iii) Fair value (continued):

Minimal management judgment is required for fair values calculated using quoted market prices or observable market inputs for models. The calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

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

(iv) Investment income:

Dividends on equity investments are recognized when the Company's right to receive payment is established, which is the ex-dividend date, and are reported as dividends in investment income.

(d) Property and equipment:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Amortization is recognized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

| | |
|-------------------------|-----------|
| Leasehold improvements | 10 years |
| Furniture and equipment | 20% - 30% |

(e) Intangible assets:

Intangible assets are initially recorded as cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. The intangible asset consists of a customer list arising on the purchase of Mount Forest Insurance Brokers Limited on July 19, 2016. Amortization is recognized in income, on a straight-line basis over the estimated finite useful life of 8 years. Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(f) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rates as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(f) Leases (continued):

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) Impairment:

(i) Financial assets:

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(g) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting period 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.

Impairment losses are recognized in profit or loss. 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.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The assessment of impairment of non-financial assets excludes assessment of deferred insurance acquisition costs, which is discussed in note 2(h)(xi). The ability of the Company to recover its deferred insurance acquisition costs is assessed as part of the Company's overall insurance liability adequacy testing. In the event that a provision for premium deficiency is required based on this test, the liability for remaining coverage is reduced with a corresponding charge in income.

(h) 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, liability, and auto. 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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

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

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

The Company also hold reinsurance contracts with a reinsurance company under which it is reimbursed for claim amounts arising from one or more insurance contracts that are over the Company's retention.

(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 recognised
- Environmental factors, e.g., a change in market experience or regulations

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(h) Insurance and reinsurance contracts accounting treatment:

(iii) Levels of aggregation (continued):

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 recognises 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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

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

(vi) Measurement – Premium Allocation Approach:

| | <i>IFRS 17 Options</i> | <i>Adopted approach</i> |
|--|--|--|
| Premium Allocation 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. The Company has elected to adopt the 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 amortised over the coverage period of the related group. | Insurance acquisition cash flows are allocated to related groups of insurance contracts and are amortised 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 profit or loss. |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

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

(vii) Insurance contracts – initial measurement:

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

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

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date,
- 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.

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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(h) 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 amortisation 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 profit or loss (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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(h) 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 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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(h) 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 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.

(xvi) Loss-recovery components:

As described in note 2(h)(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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

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

(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 profit or loss each period.

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

The Company does not separately present on the face of the statement of profit or loss and other 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 profit or loss and other comprehensive income.

(i) Income taxes:

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.

The Company follows the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss carry forwards. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes imposed by the same taxation authority.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(j) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Statement of comprehensive income (loss) items are translated at actual rates in effect at the time of the transactions. Translation gains and losses are included in current income.

(k) Accounting standards issued but not yet applied:

(i) IFRS 18, *Presentation and Disclosures in Financial Statements*:

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosures in Financial Statements*, which will replace IAS 1. The new standard introduces the following key new requirements.

Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a new-defined operating profit sub-total. The Entity's new profit will not change.

Management defined performance measurers (MPMs) are disclosed in a single note in the financial statements

Enhanced guidance is provided on how to group information in the financial statements.

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

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and must be applied retrospectively. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

(ii) IFRS 9 and IFRS 7 Amendments, *Classification and measurement of financial instruments*:

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendments clarify certain concepts relating to classification of financial assets, including those with contingent features. The amendments address the recognition and derecognition of financial assets and liabilities settled using an electronic payment system. The amendments also introduce certain new disclosure requirements for financial instruments measured at fair value through other comprehensive income and amortized cost. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Company is currently evaluating the impact that this amendment will have on its financial statements.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Significant judgments and estimates:

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 judgments:

Information about judgments 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 insurance and reinsurance contracts. Assessing whether the contract transfers significant insurance risk. See note 2(h)(i).
- (ii) The determination of the 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(h)(iii).
- (iii) Measurement of insurance and reinsurance contracts. Determining the techniques for estimating risk adjustments for non-financial risk and the coverage usings provided under a contract.
- (iv) The classification of financial assets as FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.
- (v) The determination of lease term for some lease contracts in which the Company is a lessee that include renewal options and termination options, including whether the Company is reasonably certain to exercise such options and the determination of the incremental borrowing rate used to measure lease liabilities for each lease contract.

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

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Significant judgments and estimates (continued):

(b) Estimates and assumptions (continued):

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) Measurement of the fair value of financial instruments with significant unobservable inputs. See note 5(b).
- (ii) Insurance and reinsurance contracts:

The Company applies the PAA to simplify the measurement of insurance contracts.

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 recognised 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.

b) *Liability for incurred claims:*

The Appointed Actuary is appointed by the Board of Directors of the Company. With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the outstanding claims and to provide an opinion to the Company's policyholders regarding their appropriateness at the reporting date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

3. Significant judgments and estimates (continued):

(b) Estimates and assumptions (continued):

(ii) Insurance 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:

| | Within 1 year | 3 years | 5 years | Over 5 years |
|------|------------------|---------|---------|-----------------|
| 2024 | 3.06% | 3.01% | 3.20% | 3.84% |
| 2023 | 4.52% | 3.70% | 3.53% | 3.77% |

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

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 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 Cost of Capital approach based on a target return on capital, reflecting the compensation required for non-financial risk. Through this evaluation of future cash flow distributions, the Company has determined that the required compensation is at the 60% confidence level which is below the industry range of 70-80%. A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

4. Role of the actuary and auditors:

With respect to preparation of consolidated financial statements, the actuary is required to carry out a valuation of the Company's policy liabilities and report thereon to the shareholder. Policy liabilities consist of liabilities for remaining coverage and liabilities for incurred claims and the reinsurance recoveries in accordance with Canadian accepted actuarial practice as well as any other matter specified in any direction that may be made by regulatory authorities. In performing the valuation of the liabilities, which are by their nature inherently variable, assumptions are made as to the rates of claims frequency and severity, inflation, reinsurance recoveries and expenses, taking into consideration the circumstances of the Company and the nature of the insurance policies in force. The actuary, in verifying the management information provided by the Company used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

The external auditors have been appointed by the shareholder pursuant to the Act to conduct an independent and objective audit of the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards and report thereon to the shareholder. In carrying out their audit, the auditors also make use of the work of the actuary and his or her report on the Company's policy liabilities. The auditor's report outlines the scope of their audit and their opinion.

5. Investments:

(a) Fair value:

The fair values of investments are summarized as follows:

| | 2024 | 2023 |
|----------------------------|----------------------|----------------------|
| Bonds | | |
| Canadian provincial | \$ 5,684,476 | \$ 5,584,272 |
| Corporate | 2,300,726 | 2,252,496 |
| | <u>7,985,202</u> | <u>7,836,768</u> |
| Equities | | |
| Canadian listed companies | 1,934,681 | 1,898,436 |
| Canadian private companies | 489,981 | 504,281 |
| US listed companies | 737,977 | 610,664 |
| | <u>3,162,639</u> | <u>3,013,381</u> |
| | <u>\$ 11,147,841</u> | <u>\$ 10,850,149</u> |

Fair values have been determined on the basis described in note 2(c)(iii) and are considered to approximate market values.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

5. Investments (continued):

(b) Fair value hierarchy:

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The extent of the Company's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of bond and equity investments as follows:

| 2024 | Level 1 | Level 2 | Level 3 | Total |
|--------------|---------------------|---------------------|-------------------|----------------------|
| Bonds | \$ – | \$ 7,985,202 | \$ – | \$ 7,985,202 |
| Equities | 2,672,658 | – | 489,981 | 3,162,639 |
| Total | \$ 2,672,658 | \$ 7,985,202 | \$ 489,981 | \$ 11,147,841 |

| 2023 | Level 1 | Level 2 | Level 3 | Total |
|--------------|---------------------|---------------------|-------------------|----------------------|
| Bonds | \$ – | \$ 7,836,768 | \$ – | \$ 7,836,768 |
| Equities | 2,509,100 | – | 504,281 | 3,013,381 |
| Total | \$ 2,509,100 | \$ 7,836,768 | \$ 504,281 | \$ 10,850,149 |

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2024 and 2023.

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

6. Investment income (loss):

| | 2024 | 2023 |
|---|---------------------|-------------------|
| Interest | \$ 382,140 | \$ 376,403 |
| Dividends | 88,272 | 75,237 |
| Realized gain (loss) on sale of investments | 119,943 | (34,763) |
| Change in market value of investments | 372,557 | 542,597 |
| Investment expenses | (18,032) | (22,799) |
| Equity pick-up from 2598738 Ontario Inc. | 81,996 | (17,933) |
| | \$ 1,026,876 | \$ 918,742 |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

7. Property and equipment:

| | Right-of-use assets | Leasehold improvements | Equipment and furniture | Total |
|----------------------------------|------------------------|---------------------------|----------------------------|--------------|
| Cost: | | | | |
| Balance, December 31, 2023 | \$ 672,948 | \$ 504,091 | \$ 183,033 | \$ 1,360,072 |
| Additions | – | – | 11,293 | 11,293 |
| Balance, December 31, 2024 | 672,948 | 504,091 | 194,326 | 1,371,365 |
| Accumulated depreciation: | | | | |
| Balance, December 31, 2023 | 336,474 | 309,247 | 155,104 | 800,825 |
| Depreciation for the year | 67,294 | 50,409 | 12,223 | 129,926 |
| Balance, December 31, 2024 | 403,768 | 359,656 | 167,327 | 930,751 |
| Carrying amounts: | | | | |
| Balance, December 31, 2023 | \$ 336,474 | \$ 194,844 | \$ 27,929 | \$ 559,247 |
| Balance, December 31, 2024 | \$ 269,180 | \$ 144,435 | \$ 26,999 | \$ 440,614 |

Depreciation and amortization of property, equipment and right-of-use assets charged to income during the year amounted to \$129,926 (2023 - \$129,585).

8. Insurance and reinsurance contracts:

(a) Nature of liability for incurred claims:

The establishment of the provision for unpaid claims and adjustment expenses is based on known facts and interpretation of circumstances and, is therefore, a complex and dynamic process influenced by a large variety of factors. The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims frequency, expected loss ratios and claims development.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claim department's personnel and independent adjusters retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices, including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, court decisions, investment returns, economic conditions and public attitudes. In addition, time can be a critical part of the provision determination, since the longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

(a) Nature of liability for incurred claims (continued):

Accordingly, short-tail claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as general liability claims.

Consequently, the establishment of the provision for unpaid claims and adjustment expenses process relies on the judgment and opinions of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

The Company strives to establish adequate claim liabilities at the original valuation date. However, as time passes, the ultimate cost of claims (claims reserves and claims incurred but not reported) becomes more certain. During 2024, the Company experienced unfavourable net ultimate claims development of \$231,000 (2023 - \$34,000 unfavourable).

(b) Methodology and assumptions:

The best estimates of the liabilities for incurred claims have been determined from the projected ultimate claims liabilities based on the incurred loss development, the paid loss development or the expected loss ratio methods. Where possible, the Company applies multiple techniques in estimating required provisions. The Company also considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year.

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.

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

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

(b) Methodology and assumptions (continued):

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.

(c) Changes in assumptions:

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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

(d) 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.

| 2024 (in \$'000s) | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|---|------------------------------------|----------------|---------------------------------|------------------|-----------------|
| | Excluding loss component | Loss component | Estimates of PVFCF | Risk adjustments | |
| Insurance contract liabilities, beginning of year | \$ 517 | \$ – | \$ 3,828 | \$ 118 | \$ 4,463 |
| Insurance revenue | (11,203) | – | – | – | (11,203) |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expense | – | – | 10,245 | 147 | 10,392 |
| Insurance acquisition cash flows amortisation | 3,880 | – | – | – | 3,880 |
| Losses on onerous contracts and reversals of those losses | – | 45 | – | – | 45 |
| Changes that relate to past service – adjustments to the LIC | – | – | (258) | (37) | (295) |
| Insurance service result | (7,323) | 45 | 9,987 | 110 | 2,819 |
| Insurance finance expenses | – | – | 276 | – | 276 |
| Total changes in the statement of comprehensive income | (7,323) | 45 | 10,263 | 110 | 3,095 |
| Cash flows | | | | | |
| Premiums received | 11,624 | – | – | – | 11,624 |
| Claims and other directly attributable expenses paid | – | – | (5,787) | – | (5,787) |
| Insurance acquisition cash flows | (4,415) | – | – | – | (4,415) |
| Total cash flows | 7,209 | – | (5,787) | – | 1,422 |
| Insurance contract liabilities, end of year | \$ 403 | \$ 45 | \$ 8,304 | \$ 228 | \$ 8,980 |

* PVFCF refers to present value of future cash flows

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

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

| 2023 (in \$'000s) | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|---|------------------------------------|----------------|---------------------------------|------------------|-----------------|
| | Excluding loss component | Loss component | Estimates of PVFCF | Risk adjustments | |
| Insurance contract liabilities, beginning of year | \$ 609 | \$ – | \$ 5,177 | \$ 83 | \$ 5,869 |
| Insurance revenue | (9,847) | – | – | – | (9,847) |
| Insurance service expenses | – | – | – | – | – |
| Incurred claims and other directly attributable expense | – | – | 2,011 | 38 | 2,049 |
| Insurance acquisition cash flows amortisation | 3,427 | – | – | – | 3,427 |
| Changes that relate to past service – adjustments to the LIC | – | – | (876) | (3) | (879) |
| Insurance service result | (6,420) | – | 1,135 | 35 | (5,250) |
| Insurance finance expenses | – | – | (341) | – | (341) |
| Total changes in the statement of comprehensive income | (6,420) | – | 794 | 35 | (5,591) |
| Cash flows | | | | | |
| Premiums received | 9,999 | – | – | – | 9,999 |
| Claims and other directly attributable expenses paid | – | – | (2,143) | – | (2,143) |
| Insurance acquisition cash flows | (3,671) | – | – | – | (3,671) |
| Total cash flows | 6,328 | – | (2,143) | – | 4,185 |
| Insurance contract liabilities, end of year | \$ 517 | \$ – | \$ 3,828 | \$ 118 | \$ 4,463 |

* PVFCF refers to present value of future cash flows

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

(e) Roll forward of net asset or liability for reinsurance contracts:

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on insurance ceded to reinsurers is disclosed in the table below:

| 2024 (in \$'000s) | Assets for remaining coverage | | Assets recoverable on incurred claims | | |
|---|---|-------------------------------|---------------------------------------|---------------------|-----------------|
| | Excluding loss recovery component | Loss recovery component | Estimates of PVFCF | Risk adjustments | Total |
| Reinsurance contract assets, beginning of year | \$ (192) | \$ – | \$ 1,426 | \$ 51 | \$ 1,285 |
| An allocation of reinsurance premiums | (3,247) | – | – | – | (3,247) |
| Amounts recoverable from reinsurers for incurred claim | – | – | 5,442 | 96 | 5,538 |
| Amounts recoverable for claims and other expense | – | – | (488) | (22) | (510) |
| Changes to amounts recoverable for incurred claim | – | – | – | – | – |
| Net income/expense from reinsurance contracts held | (3,247) | – | 4,954 | 74 | 1,781 |
| Reinsurance finance income | – | – | 148 | – | 148 |
| Total changes in the statement of comprehensive income | (3,247) | – | 5,102 | 74 | 1,929 |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 3,104 | – | – | – | 3,104 |
| Amounts received | – | – | (1,796) | – | (1,796) |
| Total cash flows | 3,104 | – | (1,796) | – | 1,308 |
| Reinsurance contract assets, end of year | \$ (335) | \$ – | \$ 4,732 | \$ 125 | \$ 4,522 |

* PVFCF refers to present value of future cash flows

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

8. Insurance and reinsurance contracts (continued):

(e) Roll forward of net asset or liability for reinsurance contracts (continued):

| 2023 (in \$'000s) | Assets for remaining coverage | | Assets recoverable on incurred claims | | |
|---|-----------------------------------|-------------------------|---------------------------------------|------------------|-----------------|
| | Excluding loss recovery component | Loss recovery component | Estimates of PVFCF | Risk adjustments | Total |
| Reinsurance contract assets, beginning of year | \$ (116) | \$ – | \$ 2,353 | \$ 41 | \$ 2,278 |
| An allocation of reinsurance premiums | (2,674) | – | – | – | (2,674) |
| Amounts recoverable from reinsurers for incurred claim | | | | | |
| Amounts recoverable for claims and other expense | – | – | 532 | 12 | 544 |
| Changes to amounts recoverable for incurred claim | – | – | (910) | (2) | (912) |
| Net income/expense from reinsurance contracts held | (2,674) | – | (378) | 10 | (3,042) |
| Reinsurance finance income | – | – | 86 | – | 86 |
| Total changes in the statement of comprehensive income | (2,674) | – | (292) | 10 | (2,956) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 2,598 | – | – | – | 2,598 |
| Amounts received | – | – | (635) | – | (635) |
| Total cash flows | 2,598 | – | (635) | – | 1,963 |
| Reinsurance contract assets, end of year | \$ (192) | \$ – | \$ 1,426 | \$ 51 | \$ 1,285 |

* PVFCF refers to present value of future cash flows

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and 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 members' surplus. The Investment Policy Statement is reviewed annually and compliance with the Investment Policy is monitored quarterly by the Board of Directors.

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

(a) Insurance risk:

Underwriting 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 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 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. The Company primarily insures in Ontario and as a result the Company is exposed to geographical risk. These risks are mitigated by regular review of the claims reserves as well as risk management strategies and the use of reinsurance arrangements.

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.

(i) Pricing risk:

Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk.

In Ontario, automobile insurance premium rates, are regulated by and subject to approval by the Financial Services Regulatory Authority of Ontario. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins.

Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. Accordingly, a significant portion of the Company's revenue is subject to regulatory approval.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(i) Pricing risk (continued):

Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. Accordingly, a significant portion of the Company's revenue is subject to regulatory approval.

The Company is exposed to a pricing risk to the extent that the liability for remaining coverage are insufficient to meet the related future policy costs. Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.

(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.

Claim provisions 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 claims 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 trends, legislative changes, inclusion of exposures not contemplated at the time of policy inception and significant changes in severity or frequency of claims relative to historical trends. Due to the amount of time between the occurrence of a loss, the actual reporting of the loss and the ultimate payment, provisions may ultimately develop differently from the actuarial assumptions made when initially estimating the provision for claims.

Reserving risk is reduced through various internal and external control processes including minimum reserve standards, quality assurance reviews, monthly review, and legal counsel.

(iii) 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.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(iii) Catastrophic loss risk (continued):

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 \$810,000 (2023 - \$810,000) which amounts to 8.0% (2023 - 7.7%) of the Company's surplus. Reinsurance coverage risk arises because reinsurance terms, conditions and/or pricing may change on renewal, particularly following catastrophes.

(iv) Reinsurance risk:

The Company relies on reinsurance to manage its underwriting risk. However, reinsurance does not release the Company from its primary commitments to its policyholders and, accordingly, the Company is exposed to the credit risk associated with the amounts ceded to its reinsurer.

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

The Company works with a well-established reinsurer that have expertise in their field as well as an understanding of the business. Management reviews reinsurance programs to manage cost-efficiency and reduce the likelihood of coverage gaps.

(v) Sensitivity analysis:

The Company has exposures to risks in each class of business that may develop and that could have a material impact on the Company's financial position. The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims frequency, expected loss ratios and claims development.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(v) Sensitivity analysis (continued):

Results of sensitivity testing are as follows, shown gross and net of reinsurance, the impact on pre-tax income and on members' surplus:

| 2024 | Change in assumptions | Impact on Profit before tax, gross of reinsurance \$'000 | Impact on profit before tax, net of reinsurance \$'000 | Impact on income before tax \$'000 | Impact on members' surplus \$'000 |
|----------------|-----------------------|---|---|---------------------------------------|--------------------------------------|
| Expected loss | +5% | 102 | 74 | (74) | (55) |
| Inflation rate | +1% | 106 | 45 | (45) | (33) |
| Interest rate | +1% | (101) | (43) | 43 | 31 |
| Expected loss | -5% | (104) | (73) | 73 | 54 |
| Inflation rate | -1% | (105) | (45) | 45 | 33 |
| Interest rate | -1% | 104 | 44 | (44) | (33) |

| 2023 | Change in assumptions | Impact on Profit before tax, gross of reinsurance \$'000 | Impact on profit before tax, net of reinsurance \$'000 | Impact on income before tax \$'000 | Impact on members' surplus \$'000 |
|----------------|-----------------------|---|---|---------------------------------------|--------------------------------------|
| Expected loss | +5% | 82 | 53 | (53) | (39) |
| Inflation rate | +1% | 55 | 33 | (33) | (24) |
| Interest rate | +1% | (50) | (31) | 31 | 23 |
| Expected loss | -5% | (83) | (51) | 51 | 37 |
| Inflation rate | -1% | (54) | (32) | 32 | 24 |
| Interest rate | -1% | 52 | 32 | (32) | (24) |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vi) Claims development tables:

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

Gross basis:

| Year of loss | Total all insurance risks | | | | | | | | | | |
|---|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Estimate of ultimate claims costs: | | | | | | | | | | | |
| at end of year of loss | 3,434 | 2,671 | 4,656 | 5,009 | 3,248 | 4,886 | 6,527 | 3,786 | 2,665 | 9,788 | |
| 1 year later | 2,835 | 2,268 | 4,416 | 4,508 | 2,799 | 4,131 | 7,230 | 3,547 | 2,862 | | |
| 2 years later | 2,350 | 2,055 | 4,067 | 4,575 | 3,794 | 3,581 | 6,724 | 3,407 | | | |
| 3 years later | 2,075 | 1,960 | 4,100 | 4,399 | 3,385 | 3,891 | 6,755 | | | | |
| 4 years later | 2,025 | 1,897 | 4,301 | 4,533 | 3,279 | 3,907 | | | | | |
| 5 years later | 2,025 | 1,793 | 4,443 | 4,206 | 3,260 | | | | | | |
| 6 years later | 2,130 | 1,594 | 4,443 | 4,155 | | | | | | | |
| 7 years later | 2,185 | 1,594 | 4,443 | | | | | | | | |
| 8 years later | 2,181 | 1,594 | | | | | | | | | |
| 9 years later | 2,181 | | | | | | | | | | |
| Current estimate of cumulative claims | 2,181 | 1,594 | 4,443 | 4,155 | 3,260 | 3,907 | 6,755 | 3,407 | 2,862 | 9,788 | 90,613 |
| Cumulative payments to date | 2,181 | 1,594 | 4,393 | 3,991 | 3,097 | 3,384 | 6,512 | 3,213 | 2,111 | 3,897 | 82,635 |
| Outstanding claims | – | – | 50 | 164 | 163 | 523 | 243 | 194 | 751 | 5,891 | 7,978 |
| Outstanding claims 2015 and prior | | | | | | | | | | | 98 |
| Risk adjustment | | | | | | | | | | | 228 |
| Effect of discounting | | | | | | | | | | | (343) |
| Other attributable expenses | | | | | | | | | | | 571 |
| Total liability for incurred claims on statement of financial position | | | | | | | | | | | 8,532 |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vi) Claims development tables (continued):

Net basis:

| Year of loss | Total all insurance risks | | | | | | | | | | |
|--|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Estimate of ultimate claims costs: | | | | | | | | | | | |
| at end of the year of loss | 2,441 | 2,263 | 3,325 | 3,127 | 2,787 | 3,064 | 3,343 | 2,742 | 2,315 | 4,096 | |
| 1 year later | 2,162 | 2,034 | 3,246 | 2,702 | 2,508 | 2,788 | 3,328 | 2,868 | 2,585 | | |
| 2 years later | 1,763 | 1,978 | 2,878 | 3,127 | 2,381 | 2,688 | 3,166 | 2,858 | | | |
| 3 years later | 1,536 | 1,926 | 2,801 | 3,087 | 2,340 | 2,887 | 3,132 | | | | |
| 4 years later | 1,495 | 1,822 | 2,781 | 3,110 | 2,304 | 2,886 | | | | | |
| 5 years later | 1,495 | 1,762 | 2,783 | 2,981 | 2,307 | | | | | | |
| 6 years later | 1,600 | 1,594 | 2,783 | 3,013 | | | | | | | |
| 7 years later | 1,655 | 1,594 | 2,778 | | | | | | | | |
| 8 years later | 1,651 | 1,594 | | | | | | | | | |
| 9 years later | 1,651 | | | | | | | | | | |
| Current estimate of cumulative claims | 1,651 | 1,594 | 2,778 | 3,013 | 2,307 | 2,886 | 3,132 | 2,858 | 2,585 | 4,096 | 26,900 |
| Cumulative payments to date | 1,651 | 1,594 | 2,778 | 3,002 | 2,143 | 2,519 | 3,037 | 2,736 | 2,111 | 2,241 | 23,812 |
| Outstanding claims | – | – | – | 11 | 164 | 367 | 95 | 122 | 474 | 1,855 | 3,088 |
| Outstanding claims 2015 and prior | | | | | | | | | | | 71 |
| Risk adjustment | | | | | | | | | | | 103 |
| Effect of discounting | | | | | | | | | | | (158) |
| Other attributable expenses | | | | | | | | | | | 571 |
| Net liability for incurred claims | | | | | | | | | | | 3,675 |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk principally through its investment assets, balances receivable from policyholders, and balances recoverable from reinsurers on ceded losses.

The Company's Investment Policy Statement requires the Company to invest in bonds of high credit quality and to limit exposure with respect to any one issuer.

(i) Aggregated credit risk:

The total credit risk exposure at December 31, 2024 is:

| | 2024 | 2023 |
|-------------------------------|----------------------|----------------------|
| Bonds | \$ 7,985,202 | \$ 7,836,768 |
| Accrued interest | 55,887 | 44,783 |
| Due from policyholders | 2,707,694 | 2,403,916 |
| Due from other insurers | 486,529 | 466,829 |
| Due from facility association | 29,797 | 1,855 |
| Reinsurance recoverable | 4,794,359 | 1,477,691 |
| | <u>\$ 16,059,468</u> | <u>\$ 12,231,842</u> |

(ii) Invested assets:

The Company is exposed to credit risk relating to its bond holdings in its investment portfolio. The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits and corporate sector limits. The Company's investment policy limits investment in bonds of the various ratings to limits ranging from 65% to 100% of the Company's portfolio. The Company's policy requires that funds be invested in bonds of Federal, Provincial or Municipal Government and corporations rated BBB or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(b) Credit risk (continued):

(ii) Invested assets (continued):

The breakdown of the bond portfolio rating is presented below:

| | 2024 | | 2023 | |
|-----|---------------------|------------|---------------------|------------|
| | Fair value | % of total | Fair value | % of total |
| AA | \$ 4,748,855 | 60 | \$ 4,404,645 | 56 |
| A | 2,668,972 | 33 | 2,863,686 | 37 |
| BBB | 567,375 | 7 | 568,437 | 7 |
| | <u>\$ 7,985,202</u> | <u>100</u> | <u>\$ 7,836,768</u> | <u>100</u> |

(iii) Reinsurance recoverable and receivable:

Credit exposure on the Company's reinsurance recoverable and receivable balances exists at December 31, 2024 to the extent that any reinsurer may not be able or willing to reimburse the Company under the terms of the relevant reinsurance arrangements.

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 the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

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

In 2024, the Company has reinsurance recoverable balances of \$4,794,359 (2023 - \$1,477,691).

(c) Liquidity risk:

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

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(c) Liquidity risk (continued):

The Company's investment policy requires that up to a maximum of 30% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year. The Company holds a portion of assets in liquid securities. At December 31, 2024, the Company has \$2,920,666 (2023 - \$2,632,936) of cash and cash equivalents.

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.

| 2024 | Within 1 year | 1 - 5 years | 5 years or more | Total |
|---|---------------------|---------------------|---------------------|---------------------|
| Financial assets: | | | | |
| Bonds | \$ 749,621 | \$ 2,583,403 | \$ 4,652,178 | \$ 7,985,202 |
| Insurance assets: | | | | |
| Undiscounted reinsurance contract assets | 2,200,291 | 2,505,045 | 89,023 | 4,794,359 |
| Total assets | \$ 2,949,912 | \$ 5,088,448 | \$ 4,741,201 | \$12,779,561 |
| Undiscounted insurance liabilities | \$ 4,471,966 | \$ 3,615,656 | \$ 217,110 | \$ 8,304,732 |
| Total undiscounted liabilities | \$ 4,471,966 | \$ 3,615,656 | \$ 217,110 | \$ 8,304,732 |

(d) Market risk:

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded.

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in Canadian equities to 25% and international equities to 10% thereof.

The Company's investment policy, limits investment in preferred and common shares to a maximum of 25% of the market value of the portfolio.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(d) Market risk (continued):

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

The fair value of the investment in the Canadian private company fluctuates based on the value of underlying net assets held by the private company. At December 31, 2024 and 2023, the change in measurement inputs would not result in a material adjustment to the Company's investment.

Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

(i) 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. The Company is exposed to interest rate risk through its interest-bearing investments.

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.

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

At December 31, 2024 a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by \$232,679 (2023 - \$446,382). These changes would be recognized in profit or loss.

(ii) Equity market 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 is exposed to equity risk, through its portfolio of stocks in listed companies. A 10% movement in the stock markets, with all other variables held constant, would have an estimated effect on the fair values of the Company's listed equities and income of \$316,263 (2023 - \$301,338).

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

9. Insurance and financial risk management (continued):

(d) Market risk (continued):

(iii) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. The Company's, currency risk is related to stock holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 10% of the total investment portfolio in accordance with its investment policy. Foreign currency changes are monitored by the Board of Directors and holdings are adjusted when offside of the investment policy.

The Company is exposed to currency risk on its investments in the US. Included in the statement of financial position are US denominated investments of \$737,977 CDN (2023 - \$610,664 CDN). If the US dollar weakened/strengthened by 5% against the Canadian dollar, all other variables held constant, the net effect on the Unappropriated members' surplus for the year would be \$36,899 lower/higher (2023 - \$30,533).

10. Underwriting policy and reinsurance ceded:

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are set by product line. Reinsurance premiums are accounted for in the same period as the related premiums for the direct insurance business being reinsured. Reinsurance liabilities, comprised of premiums payable for the purchase of reinsurance contracts, are included in due to reinsurer and are recognized as an expense on the same basis as revenue on the underlying policies being reinsured.

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to the first \$300,000 on any auto claim and \$300,000 on any property claim (2023 - \$240,000 for auto claim and \$270,000 for property claim).

It further limits the liability of the Company to the first \$180,000 on any liability claim (2023 - \$150,000). In addition, the Company has obtained reinsurance having an upper amount of \$6,000,000 (2023 - \$6,000,000), which limits the Company's liability to the first \$1,000,000 (2023 - \$810,000) in the event of a series of claims arising out of a single occurrence.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

10. Underwriting policy and reinsurance ceded (continued):

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

Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. The Company evaluates the financial condition of our reinsurers and potential reinsurers on a regular basis and also monitors the concentrations of credit risk with reinsurers.

11. Related party transactions:

(a) Transactions with related parties:

From time to time, the Company enters into transactions in the normal course of business, which are measured at the exchange amounts, with related companies, directors and senior officers. All of these transactions (other than those disclosed) are recorded through the Company's statement of financial position and statement of comprehensive loss. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

(b) Key management personnel compensation:

Key management personnel of the Company include all directors, executives and senior management.

Key management personnel compensation is composed of the following:

| | 2024 | 2023 |
|----------------------------------|------------|------------|
| Compensation and directors' fees | \$ 249,367 | \$ 219,128 |
| Premium income | 90,874 | 81,824 |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

12. Leases:

The company leases a building for its office space. The lease of the office space runs for a period of ten year, with two renewal options exercisable by the Company for an additional 5 years after the end of the non-cancellable period.

(a) Right-of-use assets:

Right-of use assets related to leased properties that do not meet the definition of investment property are presented in property, equipment and intangibles (see note 7).

| | 2024 | 2023 |
|--|------------|------------|
| Right-of-use assets, beginning of year | \$ 336,474 | \$ 403,768 |
| Depreciation charge for the year | (67,294) | (67,294) |
| Right-of-use assets, end of year | \$ 269,180 | \$ 336,474 |

(b) Lease liabilities:

The maturity profile of the lease liabilities is as follows:

| | |
|---|------------|
| Less than one year | \$ 82,196 |
| One to five years | 221,400 |
| Total undiscounted contractual cash flows | 303,596 |
| Impact of discounting | (7,491) |
| Lease liabilities | \$ 296,095 |

(c) Amounts recognized in profit or loss:

| | 2024 | 2023 |
|-------------------------------|----------|----------|
| Interest on lease liabilities | \$ 7,860 | \$ 9,557 |

(d) Extension options:

The property lease contains an extension option exercisable by the Company for an additional five year period. The Company assesses at least commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

13. Company pension plan:

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

The Company makes contributions to the plan on behalf of members of its staff. The plan is a money purchase plan, with a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. The amount contributed to the plan for 2024 was \$91,941 (2023 - \$80,811). The contributions were made for current service and these have been recognized in net income. The current service amount is determined by the plan actuary using the projected accrued benefit actuarial cost method. These contributions amount to 2.7% (2023 - 1.6%) of the total contributions made to the Ontario Mutual Insurance Association Pension Plan by all participating entities during the current fiscal year.

14. Deferred tax assets and liabilities:

(a) Recognized deferred tax liabilities:

The Company has unclaimed deductions for claims liabilities and capital assets which are available to offset against deferred income for tax purposes. Deferred income tax liabilities which would result from these temporary differences are as shown below.

| | 2024 | 2023 |
|--|------------------|---------------------|
| Property and equipment | \$ 1,955 | \$ 1,951 |
| Intangible assets | 42,146 | 1,204 |
| Right-of-use assets | (71,332) | (89,166) |
| Lease liability | 78,465 | 98,161 |
| Reserve for unpaid claims | (24,234) | (130,772) |
| Deferred income tax asset (liabilities) | \$ 27,000 | \$ (118,622) |

(b) Movement in temporary differences during the year:

| | 2024 | 2023 |
|--|------------------|---------------------|
| Deferred tax liability balance, beginning of year | \$ (118,622) | \$ (124,837) |
| Recognized in income | (145,622) | (6,215) |
| Deferred tax liability balance, end of year | \$ 27,000 | \$ (118,622) |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

15. Income taxes:

(a) Components of income tax expense:

The major components of income tax expense for the years ending December 31, 2024 and 2023 are:

| | 2024 | 2023 |
|---|---------------------|-------------------|
| Current tax expense (recovery) | | |
| Current period taxes on income | \$ (8,221) | \$ 268,327 |
| Deferred tax expense (recovery) | | |
| Origination and reversal of temporary differences | (145,622) | (6,215) |
| Total income tax expense (recovery) | \$ (153,843) | \$ 262,112 |

(b) Reconciliation of effective tax rate:

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

| | 2024 | 2023 |
|--|---------------------|----------------------|
| Combined basic Canadian federal and provincial income tax rate | 26.50% | (Restated) 26.50% |
| Provision for income taxes based on combined basic income tax rate | \$ (122,949) | \$ 345,335 |
| Decrease (increase) in tax recovery resulting from: | | |
| Effect of small business deduction | 8,860 | (71,500) |
| Non-deductible expenses | 4,020 | 3,463 |
| Non-taxable dividends | (21,384) | (19,938) |
| Equity income on 2598738 Ontario Inc. | (21,729) | 4,752 |
| Other | (661) | – |
| Income tax expense reflected in net income | \$ (153,843) | \$ 262,112 |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

16. Insurance service expense:

| | 2024 | 2023 |
|---|----------------------|---------------------|
| Claims | \$ 8,965,541 | \$ 2,013,591 |
| Commissions | 2,239,717 | 1,986,656 |
| Salaries and directors' fees | 1,160,046 | 1,049,652 |
| Computer services | 583,692 | 535,436 |
| Employee benefits | 295,290 | 234,162 |
| Professional fees | 189,087 | 135,618 |
| Amalgamation | 165,960 | — |
| Depreciation on property and equipment | 129,926 | 129,585 |
| Occupancy costs | 126,946 | 125,465 |
| Amortization of intangible assets | — | 48,157 |
| Association fees and training | 101,723 | 53,296 |
| Printing, stationery and office | 79,105 | 74,801 |
| Advertising | 21,638 | 54,554 |
| Travel | 76,180 | 57,660 |
| Provincial premium tax | 42,897 | 35,383 |
| Postage and telephone | 40,072 | 37,084 |
| Statistics and assessments | 35,117 | 45,415 |
| Donations | 29,919 | — |
| Inspection of risks and fire prevention | 22,908 | 15,147 |
| Interest expense | 18,545 | 19,781 |
| Sundry | 18,323 | 21,753 |
| Facility office costs | 4,019 | 4,297 |
| Operating expenses | \$ 14,346,651 | \$ 6,677,493 |
| Represented by: | | |
| Insurance service expenses | \$ 14,021,738 | \$ 4,597,483 |
| General and operating expenses | 324,913 | 2,080,010 |
| Total | \$ 14,346,651 | \$ 6,677,493 |

DUFFERIN MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2024

17. Capital management:

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

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

As a provincially regulated property and casualty insurance company, the Company's capital position is monitored by the Financial Services Regulatory Authority of Ontario ("FSRA"). FSRA evaluates the Company's financial strength through the Minimum Capital Test ("MCT") which measures available capital against required risk-weighted capital. The regulators require property and casualty companies to comply with capital adequacy requirements. This test compares a company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors that are dependent on the risks associated with the Company's assets.

Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest sensitive assets and liabilities to changes in interest rates. The regulators indicate that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum in its quarterly filings. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and deemed necessary.

Reinsurance is also used to protect the Company's capital level from large losses, including those of a catastrophic nature, which could have a detrimental impact on capital. The Company has adopted policies that specify tolerance for financial risk retention. Once the retention limits are reached, reinsurance is utilized to cover the excess risk.