

**GORE
MUTUAL**
INSURANCE THAT DOES GOOD.

Annual Report

Insurance that does good.

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CEO & Chair Message

“ We are pleased to share an update on our results as well as the continued delivery of our Next Horizon transformation program. In the face of adversity, once again Gore Mutual and its employees proved to be resilient and steadfast in our commitment to our strategy, finishing the year stronger than we started and optimistic about the future. ”



A handwritten signature in black ink that reads "Andy Taylor". The signature is fluid and cursive.

Andy Taylor
President & Chief Executive Officer

Year in Review

2023 was a difficult year for the Canadian property and casualty industry marked by widespread catastrophes across Canada exceeding \$3 billion in insured losses, unprecedented auto theft, geopolitical instability, and on-going inflationary pressure across the business cycle.

We were not immune to this challenging environment, as reflected in our financial results which were disappointing for the year. Most notably, our results were impacted by record setting wildfires in western Canada, escalating physical damage and auto theft costs, and large loss activity in our property lines. Offsetting our insurance experience was strong investment income as we optimized our asset mix to reduce volatility while leveraging higher interest rates to produce stable, predictable investment income.

As we faced into the headwinds of 2023, we continued to lead with purpose as a modern mutual, supporting our customers fostering an inclusive workplace where everyone can thrive, while launching industry leading solutions. We launched

EcoClaim to reduce the environmental impact of our claims processes through recycling opportunities and advanced water remediation methods. We introduced Tag, an innovative vehicle tracking solution to help in the battle against auto theft. In August, as the wildfires moved through British Columbia, which created our largest claims event, our team responded quickly and effectively to support our customers in their greatest time of need.

As we head towards the midway point of our Next Horizon strategy, we are now differentiating ourselves as a high-performing company that provides insurance that does good.

Expanding our Membership

Just as we have transformed our business over the past few years, we have also been exploring best practices for modernizing our mutual membership structure that will align more closely with other mutual company structures, and better support our strategic and business objectives. We are excited to share that we will be expanding our mutual membership to include all policyholders in 2024. This change will allow for a deeper connection with all our customers, who as members, can help shape and engage in our governance and Purpose programs, as well as the broader impact we can have as a purpose-driven organization.

Path to Performance

2023 was a pivotal year as we rapidly transitioned our business from a period of transformation into one focused on driving underwriting performance and harvesting the benefits of the investments we've made over the past few years. We diligently focused on improving our profitability through targeted initiatives aimed at achieving enhanced pricing and underwriting segmentation, operational excellence, and lower claims costs through advanced analytics.

The work we have done over the past few years has set a foundation for sustained profitable growth. This is demonstrated in our positive outlook and plan for the coming year that reflects 10% premium growth, a 10% improvement in our combined operating ratio (COR) and increased total return target.

Outlook

Over the past five years, we have transformed our business while weathering the challenges of the pandemic and periodic global financial crises.

With increased capabilities and a repositioned brand, Gore Mutual is now well positioned for the next phase of our Next Horizon journey. The key trends and opportunities that initially shaped our strategy—consolidation, climate, regulation, and advanced analytics—are accelerating, reinforcing the importance of our momentum over the past few years, and the need to continue on our path to becoming a purpose-driven, digitally-led, national insurer.



A handwritten signature in black ink that reads "Neil Parkinson". The signature is fluid and cursive.

Neil Parkinson
Chair of the Board of Directors

Gore at a Glance

Gore Mutual is Canada's oldest property and casualty insurance company, operating independently since 1839. Our company is headquartered in Cambridge,

Ontario, with offices in Toronto and Vancouver. We have around 600 employees and carry over \$700M in written premium of home, auto and business insurance exclusively through broker distribution.

Our North Star

We believe that to secure a vibrant future for our business, we need to compete at scale, with product and geographic diversification, while remaining solidly grounded in our mutual values. That's why our North Star is to become a purpose-driven, digitally-led, national insurer.



Purpose driven

At Gore Mutual, we've always set ourselves apart as an insurer that does good. Now we're proudly building on that legacy to transform our company—and our industry—for the better.



Digitally led

We prioritize investing in our people, product and pricing. We always embrace innovations that promise a more seamless experience for brokers and customers.



National insurer

With a transformed, high-performing business model, the latest in dynamic pricing and relationships with brokers that are stronger than ever, we've accelerated our ambition to be a top-10 insurer in Canada.

Our Values



Do it right



Make it better



Keep it simple

Portfolio Distribution



■ Personal Property



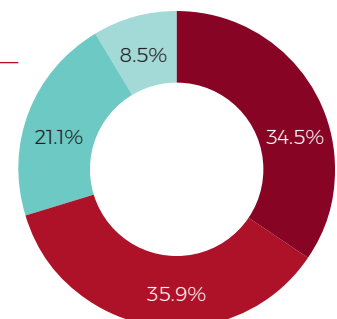
■ Personal Auto



■ Commercial Property



■ Commercial Auto



Our Purpose: Insurance that does good



Be good



Do good



Spread good

Modern Mutual Model 2.0

Infinite Circle of Good As a Modern Mutual, we leverage the benefits of being a high-performing business, to generate value and foster resilience for our policyholders/members, brokers, employees and communities.

Investments

Use premiums to responsibly invest with a long-term horizon

Premiums

Leverage our agile operating model and technology to provide competitive products and services.

Employees

Work with our employees to live our Purpose - driving our organization and industry forward

Broker & Vendors

Work with like-minded organizations who lead with Purpose to collaborate for a greater good.



Claims

Provide exceptional claims services during our policyholder's time of need.

Surplus

Invest in generating value for employees, brokers, vendors, policyholders and communities.

Communities

Invest in the resilience of our communities so that we can all thrive.

Policyholders/Members

Help policyholders/members adapt and protect what is most important.

Next Horizon

In 2020, we embarked on the most ambitious transformation and growth plan in the company's history. Next Horizon is our 10-year strategy to respond to accelerating market forces and secure a vibrant future by re-imagining our business to become a purpose-driven, digitally-led, national insurer.



While we faced operating headwinds during 2023, we continued to make terrific progress on our transformation, with investments in key capabilities and bold decisions to reshape our portfolio of business, that will yield strong profitable growth for years to come.

Paul Jackson
Chief Operating Officer

Transformation and Growth

Next Horizon is designed in three phases, beginning with a three-year program of transformation and the largest capital investment in the company's history. We rebuilt the business with hundreds of talented professionals, world-class technology, and a scalable, modern operating model, underpinned by a galvanizing new purpose to provide insurance that does good.

The second phase is now well underway, harvesting the benefits of that investment to deliver sustainable profitable growth. We have almost doubled the size of the business, strengthened key broker relationships, and set the stage for sustainable enhanced operating earnings through investments in pricing, underwriting, claims and technology.

The final phase will secure a vibrant future for Gore Mutual through strong underlying premium growth, underwriting performance, and inorganic opportunities.

The Journey

Next Horizon is made possible by a uniquely entrepreneurial culture, simple and agile operating model, and thoughtful investments in key capabilities. These characteristics have equipped us to sustain a strong transformation momentum, build a sharper focus on operating performance and remain committed to being purpose driven. Since 2020, we have made extraordinary progress:



Grown premiums by 60%



Introduced leading capabilities in actuarial, analytics, data science and risk management



Built modern, scalable platforms with industry leading technology



Fully funded the transformation through earnings while growing the surplus



Strengthened relationships with national and large regional broker partners



Maintained a strong balance sheet with capital well above regulatory targets



Doubled the workforce in Cambridge, Vancouver, and Toronto



Differentiated our business as a purpose-driven organization

Our team of over 600 purpose-driven, energized, engaged and entrepreneurial professionals are committed to delivering the promise of Next Horizon, as we secure a vibrant and sustainable future for Canada's oldest mutual insurer.

Market Forces Shaping our Strategy

With challenging market forces for mid-size insurers in consolidation, climate, regulation, and advanced analytics, Gore Mutual remains disciplined and focused on responding by preparing the business for scale and diversification and exploring options to access growth capital.



Consolidation

Despite a high-interest rate environment, consolidation of the insurance industry continues at pace, creating strategic vulnerability for mid-size carriers, and placing further competitive pressure on operating expenses and underwriting returns.

Our response

For the past decade, we have invested in growing a portfolio of outstanding national and large regional brokers, strengthening our value proposition to meet the needs of their clients securing our position as a preferred carrier.



Climate

More frequent and severe weather is creating volatility and uncertainty for mid-size insurers, due to the availability and cost of reinsurance, and the operational strain of responding to frequent and intense claims events.

Our response

We have made bold decisions to diversify our business and invested in analytic and risk selection capabilities to enhance underwriting performance and manage volatility out of the portfolio.



Regulation

Regulators are strengthening their focus on operational resilience, setting new mandates, and introducing greater rigour in the Canadian financial system. The cost of responding to this increased scrutiny is disproportionately challenging for mid-size carriers.

Our response

We have developed benchmark internal capabilities in enterprise risk management and compliance, enabling us to respond adequately and proportionately to increased regulatory engagement.



Advanced Analytics

Modern technology coupled with data and advanced analytics is having a profound impact on the insurance sector, driving sophisticated rating and risk selection and enhanced operational efficiency. Mid-size insurers risk diminished competitiveness, greater financial volatility, and loss of market share by not keeping pace with technology advancements.

Our response

We have invested in the most advanced, unified data and analytics capability in our history, providing accurate, timely and valuable insights to decision makers in real time. We are also piloting several Generative AI (Artificial Intelligence) use-cases and broker connectivity.

2023 Financial Highlights

\$696M

Gross Written Premium

5.1%

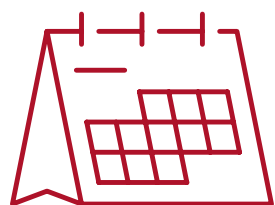
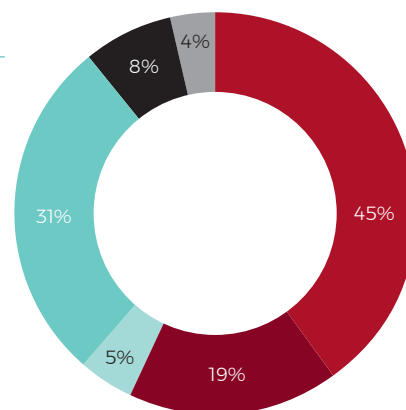
Total Investment Return

(6.3)%

Return on Equity

Combined Operating Ratio 112%

- Underlying Claims
- Large Loss
- Catastrophic Event
- Attributable Expense
- Non-Attributable Expense
- Investment in Transformation



Outlook

Over the next year, we plan to grow to \$760M in gross written premium, reduce our combined operating ratio by over 10 points, and contribute \$30M to our capital with an ROE of 7%. This will be achieved through underwriting profitability, expense management and investment performance.



Strong investment returns offset disappointing underwriting performance driven mainly by the wildfires in the West and an increase in the frequency and severity of large losses.

We have seen the resiliency of our business over the last three years as we made unprecedented investments in our transformation while navigating through a challenging and volatile market cycle and difficult economic environment.

As we look forward, we are confident that the investments we have made in our business have provided us with the technology, capability, and talent that we need to continue to service our brokers and customers for many years to come.

Lyndsay Monk
Chief Financial Officer



Board of Directors



Neil Parkinson
Chair of the Board
Director since 2016



Andy Taylor
Executive Director
Director since 2020



Farouk Ahamed
AR Committee
HRC Committee
Investment Committee
Director since 2011



Carol Hunter
AR Committee
CRG Committee
HRC Committee
Director since 2017



Susan Black
HRC Committee Chair
CRG Committee
Director since 2014



Dave Revell
AR Committee
HRC Committee
Director since 2022



Max Blouw
CRG Committee Chair
HRC Committee
Director since 2017



Anne-Marie Vanier
Investment Committee Chair
AR Committee
Director since 2020



Randall Howard
CRG Committee
HRC Committee
Investment Committee
Director since 2009



Karen Wensley
AR Committee Chair
Investment Committee
Director since 2014

Executive Team

The Board currently has four standing committees:

AR Committee
Audit and Risk Committee

CRG Committee
Conduct Review and
Governance Committee

HRC Committee
Human Resources and
Compensation Committee

Investment Committee
Investment Committee

The current members of each committee are indicated in the table of directors above. The Board annually appoints a chair of each committee. The current chairs of each committee are indicated in the table of directors above.



Andy Taylor
Chief Executive Officer



Paul Jackson
Chief Operating Officer



Lyndsay Monk
Chief Financial Officer



Sonia Boyle
Chief People Officer



James Warburton
Chief Information Officer

2023 Financial Statements

Consolidated financial statements for the
year ended December 31, 2023

Management's statement on responsibility for financial reporting

The consolidated financial statements are the responsibility of management and have been prepared in conformity with International Financial Reporting Standards including the accounting requirements of the Superintendent of Financial Institutions Canada. In the opinion of management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of Gore Mutual Insurance Company ["the Company"] within reasonable bounds of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable consolidated financial statements. The adequacy of operation of the control systems is monitored on an ongoing basis by an internal audit department.

The Board of Directors is responsible for approving the consolidated financial statements. It establishes an Audit and Risk Committee, comprised of directors who are neither officers nor employees of the Company, who meet with management, the internal auditor, actuary and external auditors, all of whom have unrestricted access and the opportunity to have private meetings with the Audit and Risk Committee, to review the consolidated financial statements. The Audit and Risk Committee then submits its report to the Board of Directors recommending its approval of the consolidated financial statements.

The Office of the Superintendent of Financial Institutions Canada makes examinations and inquiries into the affairs of the Company as deemed necessary to ensure that the Company is in sound financial condition and that the interests of the policyholders are protected under the provisions of the Insurance Companies Act.



Andy Taylor
President & Chief Executive Officer



Lyndsay Monk
Chief Financial Officer

Cambridge, Canada
February 27, 2024

Appointed actuary's report



To the policyholders of **Gore Mutual Insurance Company**:

I have valued the policy liabilities of Gore Mutual Insurance Company for its financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2023.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the financial statements fairly present the results of the valuation.

 FCIA

Signature of Appointed Actuary

Bill Premdas FCIA

Printed name of Appointed Actuary

February 27, 2024

Date opinion was rendered

Toronto, Ontario

Location opinion was rendered

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Independent auditor's report

To the Members of **Gore Mutual Insurance Company**

Opinion

We have audited the consolidated financial statements of Gore Mutual Insurance Company and its subsidiaries [the "Company"] which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income (loss), consolidated statement of changes in surplus and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

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 consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young LLP

Waterloo, Canada
February 27, 2024

Chartered Professional Accountants
Licensed Public Accountants



A member firm of Ernst & Young Global Limited

Consolidated statement of financial position [in thousands of dollars]

As at	December 31, 2023	December 31, 2022	January 1, 2022
		Restated	Restated
	\$	\$	\$
Assets			
Investments (Note 6)			
Cash and cash equivalents	351,157	347,751	155,659
Bonds	432,236	281,150	347,900
Equities	20,627	94,349	209,659
Real estate and infrastructure	11,632	66,672	63,214
Commercial mortgages	65,951	61,412	62,553
Other investments	29,169	32,081	45,160
	910,772	883,415	884,145
Accrued investment income	4,214	4,009	4,166
Income taxes receivable (Note 11)	3,137	18,016	5,028
Reinsurance contract assets (Note 7)	30,214	35,986	29,278
Property and equipment (Note 9)	28,613	33,257	35,587
Deferred income tax assets (Note 11)	6,609	—	—
Intangible assets (Note 10)	50,976	56,591	78,039
Other assets (Note 8)	9,742	11,962	11,463
Total assets	1,044,277	1,043,236	1,047,706
Liabilities and surplus			
Liabilities			
Accounts payable and other liabilities (Note 8)	25,257	34,223	41,234
Insurance contract liabilities (Note 7)	654,910	609,805	600,719
Income taxes payable (Note 11)	—	3,769	—
Deferred income tax liability (Note 11)	—	6,708	6,579
Total liabilities	680,167	654,505	648,532
Surplus			
Retained earnings	367,255	390,095	405,664
Accumulated other comprehensive income (loss)	(3,145)	(1,364)	(6,490)
Total surplus	364,110	388,731	399,174
	1,044,277	1,043,236	1,047,706

See accompanying notes

On behalf of the Board:


Director


Director

Consolidated statement of comprehensive income (loss) [in thousands of dollars]

Year ended December 31	2023	2022
		Restated
	\$	\$
Insurance revenue (Note 7)	699,303	626,663
Insurance service expenses (Note 7)	698,449	614,939
Insurance service result from insurance contracts	854	11,724
Allocation of reinsurance premiums (Note 7)	34,618	34,849
Amounts recoverable from reinsurers (Note 7)	13,235	24,716
Net expense from reinsurance contracts held	21,383	10,133
Insurance service result	(20,529)	1,591
Interest and dividends, net of fees (Note 6)	38,828	23,956
Net gains (losses) on investments (Note 6)	2,851	(55,040)
Total investment income (loss)	41,679	(31,084)
Insurance finance income (expense) (Note 7)	(25,639)	19,271
Reinsurance finance income (expense) (Note 7)	1,056	(784)
Net insurance financial result	(24,583)	18,487
Other income and (expense) (Notes 13, 19)	(32,588)	(14,157)
Donation to Gore Mutual Insurance Company Foundation	(250)	(500)
Income (loss) before income taxes	(36,271)	(25,663)
Provision for (recovery of) income taxes		
Current (Note 11)	(2,417)	(9,882)
Deferred (Note 11)	(11,013)	(212)
	(13,430)	(10,094)
Net income (loss)	(22,841)	(15,569)
Other comprehensive income (loss), net of taxes		
Post-employment benefit obligation gain (loss)	(1,781)	5,126
Total comprehensive income (loss)	(24,622)	(10,443)

Consolidated statement of changes in surplus [in thousands of dollars]

As at	Retained earnings	Accumulated other comprehensive income (loss)	Total surplus
	\$	\$	\$
Balance, January 1, 2022 (restated) (Note 3c)	405,664	(6,490)	399,174
Net income (loss) for the year	(15,569)	—	(15,569)
Other comprehensive income (loss)	—	5,126	5,126
Balance, December 31, 2022 (restated)	390,095	(1,364)	388,731
Net income (loss) for the year	(22,841)	—	(22,841)
Other comprehensive income (loss)	—	(1,781)	(1,781)
Balance, December 31, 2023	367,255	(3,145)	364,110

Consolidated statement of cash flows [in thousands of dollars]

Year ended December 31	2023	2022 Restated
	\$	\$
Operating activities		
Income (loss) before income taxes	(36,271)	(25,663)
Income taxes recovered (paid), net	11,867	1,003
Adjustments for non-cash items (Note 15)	(17,011)	50,836
Changes in operating assets and liabilities (Note 15)	41,502	4,995
Cash provided by operating activities	88	31,171
Investing activities		
Proceeds from sale or maturity of bonds and equities (Note 19)	479,668	427,105
Purchase of investments	(472,677)	(268,167)
Proceeds from sale of broker investment	—	34,549
Cash held by broker investment upon disposition	—	(5,603)
Proceeds from disposition of property and equipment	—	619
Purchase of property and equipment	(3,673)	(27,582)
Cash used in investing activities	3,318	160,921
Net increase (decrease) in cash during the year	3,406	192,092
Cash and cash equivalents, beginning of year	347,751	155,659
Cash and cash equivalents, end of year	351,157	347,751
Composition of cash and cash equivalents, beginning of year		
Cash	340,599	154,989
Cash equivalents	7,152	670
	347,751	155,659
Composition of cash and cash equivalents, end of year		
Cash	347,225	340,599
Cash equivalents	3,932	7,152
	351,157	347,751

Notes to consolidated financial statements [Tabular amounts in thousands of dollars]

December 31, 2023

Gore Mutual Insurance Company [the “Company”] is incorporated under the laws of Canada and is subject to the Insurance Companies Act [the “Act”]. It is licensed to write all major classes of insurance other than life, in all provinces and territories in Canada, except Quebec. The Company is subject to regulation by the Office of the Superintendent of Financial Institutions Canada [“OSFI”] and the Provincial Superintendents of Financial Institutions/Insurance for provinces in which the Company is licensed. The Company’s registered office is located at 252 Dundas Street North, Cambridge, Ontario, N1R 5T3, Canada. The consolidated financial statements of the Company comprise the Company and its subsidiaries.

1. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”]. The accounting policies used to prepare the consolidated financial statements comply with IFRS as issued by the IASB. These consolidated financial statements were approved by the Board of Directors on **February 27, 2023**.

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, which are measured at fair value, and accrued benefit liabilities under employee benefit plans, which are recognized at the present value of the defined benefit obligation.

As a financial services company, the Company presents its consolidated statement of financial position on a non-classified basis. Assets and liabilities expected to be settled in greater than 12 months are disclosed in the notes to the consolidated financial statements.

The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. Actual results could differ from those estimates. See Note 5 for a description of the significant judgments and estimates made by the Company.

2. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

[a] Basis of consolidation

The consolidated financial statements include all financial operations of Gore Mutual Insurance Company and its wholly owned subsidiaries.

i. Business combinations

For business acquisitions, the Company measures goodwill as the fair value of the consideration transferred less the net recognized amount [generally fair value] of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities that the Company incurred in connection with a business combination, are expensed as incurred.

ii. Subsidiaries

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

Where control of a subsidiary ceases the Company derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position, and recognizes any retained investment in the former subsidiary at its fair value.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

[b] Financial instruments

Financial assets are classified as fair value through profit or loss ["FVTPL"], fair value through other comprehensive income ["FVTOCI"], or amortized cost based business model for managing the instruments and their contractual terms. Financial liabilities are required to be classified as FVTPL or amortized cost. The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. Financial assets are held to generate returns and provide a capital base to provide for settlement of claims as they arise.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

1. How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel
2. The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
3. How managers of the business that are responsible for managing investments are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value, and timing of asset sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the solely payments of principal and interest ("SPPI") test. The SPPI test involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are SPPI on the principal amount outstanding. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset due to repayments of principal or amortization of the premium/discount. The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors.

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given. Subsequent to initial recognition, the fair values are determined based on available information. The fair values of investments, are based on quoted bid market prices where available or observable market inputs. The Company recognizes all financial instruments using trade date accounting. Transaction costs are capitalized and, where applicable, amortized over the expected life of the instrument using the effective interest rate method.

Financial instruments are no longer recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets designated as FVTPL are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are required to be measured at fair value under IFRS 9. This category includes (i) equity investments whose cash flow characteristics fail the SPPI criterion, (ii) debt (including short-term) investments that are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell and (iii) debt instruments where management has elected a FVTPL classification in order to eliminate an accounting mismatch. Financial assets designated as FVTPL include short-term investments, bonds, preferred stocks, common stocks, pooled funds, and commercial mortgages. Short-term investments consist of term deposits having original maturities of greater than ninety days and less than one year. Term deposits with terms less than 90 days are classified as cash equivalents.

Changes in fair values as well as gains and losses on disposal of FVTPL financial instruments are recorded in “Net gains (losses) on investments” in the consolidated statement of comprehensive income with the related tax impact included in “Provision for (recovery of) income taxes”. Gains and losses on the sale of FVTPL financial instruments are calculated on an average cost basis. As changes in the fair value of FVTPL financial instruments are reflected directly within net income (loss) in the consolidated statement of comprehensive income, it is not necessary to record an impairment loss when there has been a decline in the fair value of FVTPL financial instruments.

The Company enters derivative financial instruments to manage its foreign currency exposure arising from financial assets. Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index. The Company uses derivatives for economic hedging purposes and does not apply hedge accounting to the arrangements. Derivatives are classified as FVTPL since they give rise to cashflows that are not SPPI. They are initially measured at fair value at the trade date and subsequently remeasured at fair value at the end of each reporting date. Derivative financial instruments with a positive fair value are recorded as assets while derivative financial instruments with a negative fair value are recorded as liabilities. Changes in fair value are recorded in net investment income.

Other receivables and other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Other investments consist of loans extended to brokerages and equity investments in brokerages. Loans extended to brokers are classified as amortized cost. Equity investments in brokerages are classified as FVTPL.

The Company assesses the possible default events within 12 months for the calculation of a 12 month expected credit loss (“ECL”) provision, for investments classified as amortized cost within stage 1 of the ECL. Given the nature of these investments, the probability of default is generally determined to be minimal. Lifetime ECL is required to be calculated for instruments in stages 2 or 3. In all instances, the expected loss given default is based on external historical data.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include the borrower filing for bankruptcy application/protection or a deterioration in the financial position of the borrower.

The Company considers a financial instrument credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a lifetime ECL provision.

Interest income from bonds, commercial mortgages, and other investments is recognized on an accrual basis and includes the amortization of premiums and discounts over the life of the investment using the effective interest rate method. Dividend income on common and preferred shares is recognized on the ex-dividend date.

Securities received from counterparties as collateral are not recorded on the consolidated statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Company in the course of such transactions.

[c] Property and equipment

Land and buildings are stated at their revalued amounts, being the fair value as at January 1, 2010, the date of revaluation upon initial adoption of IFRS [“deemed cost”], less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation on revalued buildings is recognized in profit or loss. Land is not depreciated.

Property, equipment other than the Company’s head office premises are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized on a straight-line basis to write off the cost or valuation of assets less their residual values over their useful lives, commencing once the asset(s) is brought into use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. The following are the ranges of useful lives for property, equipment and right-of-use assets:

Land improvements	10 years
Buildings and building improvements	10 – 50 years
Furniture and equipment	10 years
Computer equipment and hardware	3 - 5 years
Right of use building and building improvements	Lesser of useful life or remaining term of the lease
Vehicles	4 years

[d] Leases

On the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lesser of the useful life and the remaining lease term.

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 Company’s incremental borrowing rate for a similar asset. Lease payments included in the measurement of the lease liability comprise lease payments, reduced by any incentives receivable, and exclude operational costs and variable lease payments. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company presents right-of-use assets in property and equipment [note 10] and lease liabilities in accounts payable and other liabilities [note 8] in the consolidated statement of financial position. The interest and depreciation expenses are included in operating expenses [note 13] and presented within insurance service expense and other income and expenses depending on whether they are fulfillment cashflows defined under IFRS 17 Insurance Contracts.

Leases which did not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Payments made under operating leases were recognized on a straight-line basis over the lease term and are reported in operating expenses in the consolidated statement of comprehensive income.

[e] Goodwill and Intangible assets

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For measurement of goodwill at initial recognition, see note 2[a][i].

Goodwill is measured at cost less accumulated impairment losses, and is tested for indication of impairment at least annually on the basis described in accounting policy 2[h][ii].

Intangible assets comprise of Goodwill, customer lists and computer software, which includes capitalization of development costs, and are shown at cost less accumulated amortization and accumulated impairment losses. Goodwill and customer list assets are derecognized when the Company no longer has control.

Amortization is recognized on a straight-line basis to write off the cost or valuation of assets less their residual values over their useful lives, commencing once the asset(s) is brought into use. The estimated useful lives, residual values and amortization method are reviewed at the end of each reporting period. The following are the principal annual rates used for intangible assets:

Intangible assets – customer list	20 years
Intangible assets – computer software	3 - 10 years

[f] Insurance contracts and reinsurance contracts

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders by agreeing to compensate the policyholder if a specified event (the insured event) with uncertain timing or amount occurs. Similarly, by purchasing reinsurance, the Company transfers significant insurance risk to the reinsurers. As a general guideline, the Company determines whether significant insurance risk has been transferred for insurance and reinsurance contracts by comparing whether significantly more would be paid or received if the insured event occurs, versus if the insured event did not occur.

The Company assesses its insurance products to determine whether they contain distinct components that must be segregated and accounted for separately from IFRS 17. Currently, the Company's products do not include any distinct components that require separation.

i. Level of aggregation

IFRS 17 requires entities to determine the level of aggregation for applying its requirements. The Company has identified a contract as the smallest 'unit' for aggregation purposes. However, the Company makes an assessment of whether a series of policies are required to be combined as a single contract or whether a policy should be disaggregated into multiple contracts based on reasonable and supportable information, or whether a single policy contains components that are required to be separated and treated as stand-alone contracts. The level of aggregation is determined by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks that are managed together. The Company currently divides its business into portfolios by taking into consideration its lines of businesses.

IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Within each year of issue, portfolios of contracts are divided into three groups, as follows: (i) a group of contracts that are onerous at initial recognition (if any), (ii) a group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any), and (iii) a group of the remaining contracts in the portfolio (if any).

The Company considers facts and circumstances to identify whether a group of contracts is onerous at initial recognition based on estimated fulfilment cash flows, results of similar contracts it has recognized, pricing information, and the operating and regulatory environment. The profitability of groups of contracts is assessed using actuarial pricing models. For contracts that are not onerous, an assessment is made at initial recognition whether there is significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

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 reinsurance contracts held, a group can comprise a single contract.

ii. Contract boundary

The Company includes in the measurement of a group of insurance and reinsurance 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.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which:

- The Company is compelled to pay amounts to the reinsurer or the reinsurer has the right to compel premiums from the Company; or
- The Company has a substantive right to receive insurance contract services from the reinsurer or the reinsurer has the obligation to provide services to the Company.

A substantive obligation or right ends when the Company has the practical ability to reassess risks and can set a price or level of benefits that fully reflects those risks.

iii. Recognition

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

- The beginning of the coverage period of the group of contracts (i.e., the period during which the Company provides services in respect of any premiums within the boundary of the contracts);
- The date when the first payment from a policyholder in the group becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

The Company recognizes a group of reinsurance contracts held from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognizes a group of insurance contracts as onerous if the Company entered into the related reinsurance contract held at or before that date.

Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

iv. 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. For contracts with coverage periods greater than one year, the Company reasonably expects that the measurement of the liability for remaining coverage [“LRC”] (or the asset for remaining coverage [“ARC”] with respect to reinsurance) for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general measurement model [“GMM”]. The Company does not have contracts with coverage periods greater than one year where the application of the GMM, instead of the PAA, would result in a material difference in the measurement of the LRC.

The LRC is the Company’s obligation to provide coverage for insured events that have not yet occurred. The Company measures the carrying amount of the LRC as the premiums received, if any, at initial recognition minus any insurance acquisition cash flows paid at that date. The Company has elected to defer insurance acquisition cash flows over the contract period. The LRC is not adjusted for the time value of money as the premiums are due as coverage is provided, which is within the coverage period of one year.

Contracts are identified as onerous based on facts and circumstances and when a net outflow is expected from the contracts. Only cashflows related to the fulfillment of insurance contracts are included in the calculation of the net outflow. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in the consolidated statement of comprehensive income (loss) in “Insurance service expenses” for the expected net outflow. A loss component is established by the Company within the LRC for such onerous group depicting the losses recognized.

v. Insurance contracts – subsequent measurement

The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period plus any premiums received in the period and any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period, minus insurance acquisition cash flows paid and the amount recognized as insurance revenue for the services provided in the period. Where, during the coverage period, facts and circumstances indicate that a group of contracts is onerous, the Company recognizes a loss in the consolidated statement of comprehensive income (loss) in “insurance service expenses” for the expected net outflow. The provision for onerous losses is reversed to net income (loss) over the term of the associated contracts as actual losses are incurred.

The liability for incurred claims [“LIC”] is the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. The Company estimates the LIC (or the asset for incurred claims [“AIC”] with respect to reinsurance) as the fulfilment cash flows related to incurred claims and other incurred insurance expenses. 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, reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the “risk adjustment”). The Company adjusts the LIC (or the AIC) to reflect the time value of money and financial risk that considers the characteristics of the liabilities and the duration of the expected fulfilment cashflows.

The claim liabilities included in the LIC (or claims recoverable from reinsurers included in the AIC) consist of reserves for reported claims as determined on a case-by-case basis by claims adjusters and an actuarially determined provision for incurred but not reported claims. Measurement uncertainty exists due to internal and external factors that can substantially impact the ultimate settlement costs. Consequently, the Company reviews and re-evaluates claims and reserves on a regular basis and any resulting adjustments are included in “Insurance service expenses” in the consolidated statement of comprehensive income (loss) in the period the adjustment is made. Adjustment to reserves for reinsured claims are recorded in “amounts recoverable from reinsurers” in the consolidated statements of income (loss). The claim liabilities (or assets in the case of reinsured claims) are extinguished when the obligation to pay a claim expires, is discharged, or is cancelled.

vi. 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. However, the measurement reflects the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the ARC for a group of reinsurance contracts held, if applicable, for the expected recovery of the losses.

The Company calculates the loss-recovery component by multiplying the loss component recognized on the underlying insurance contracts by the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. In order to be included in the loss-recovery calculation, the group of reinsurance contracts held covering the onerous underlying contracts must be entered into before or at the same time as the loss is recognized on the underlying insurance contracts. The Company uses a systematic and rational method to determine the portion of the loss component of the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.

vii. Reinsurance contracts held – 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 contracts held.

viii. 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. Insurance acquisition cash flows are capitalized and then expensed in the period over which the related premiums are recognized as income.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

ix. Insurance contracts – modification and derecognition

The Company derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (that is, when the specified obligations in the contract expire or are discharged or cancelled). The Company also derecognizes a contract if its terms are modified in a way such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract. When a modification is not treated as a derecognition, the Company recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant LRC.

x. Presentation

The Company disaggregates the total amount recognized in the consolidated statement of comprehensive income (loss) into an insurance service result (comprising insurance revenue, insurance service expenses, and net (expenses) income from reinsurance contracts held) and insurance finance income or expenses.

xi. Insurance revenue

The insurance revenue for the period is the amount of expected premiums allocated to the period, and various customer service fees collected from policyholders. The Company allocates insurance revenue to each period based on the passage of time of the coverage period.

xii. Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in the consolidated statement of comprehensive income (loss) generally as they are incurred. Insurance service expenses include incurred claims and other incurred directly attributable expenses, amortization of insurance acquisition cash flows, changes that relate to past service (changes in fulfillment cash flows relating to the LIC), and changes that relate to future service (losses on onerous groups of contracts and reversals of such losses).

xiii. Net (expense) income from reinsurance contracts held

Included in net (expenses) income from reinsurance contracts held on the consolidated statement of comprehensive income (loss) are 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. Where reinsurance cash flows are not contingent on claims on the underlying contracts, they are included as part of the allocation of reinsurance premiums.

xiv. Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amounts of the group of insurance and reinsurance contracts arising from the impact of discount unwinding, changes in discount rates, and the effect of financial risk and changes in financial risk. The Company includes all insurance and reinsurance finance income or expenses for the period in net income (loss).

xv. Insurance contract liabilities and reinsurance contract assets

Insurance contract liabilities at the end of each reporting period is the sum of the LRC and the LIC. Reinsurance contract assets at the end of each reporting period is the sum of the ARC and the AIC. Where a portfolio of insurance contracts is in an asset position an insurance contract asset will be presented in the consolidated statement of financial position. Similarly, when a portfolio of reinsurance contracts is in a liability position a reinsurance contract liability will be presented in the consolidated statement of financial position.

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

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.

[h] Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are determined based on temporary differences [differences between the accounting basis and the tax basis of the assets and liabilities], and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse.

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.

[i] Employee benefit plans

The Company accrues its obligations under employee defined benefit plans [including pension plans and post-retirement plans other than pensions] and the related costs, net of plan assets, as the employees render the services necessary to earn the pension and other employee future benefits.

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance based on assets valued at market-related value, salary escalation, retirement ages of employees and expected health care costs.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets [excluding interest] and the effect of the asset ceiling [if any, excluding interest], are recognized immediately in other comprehensive income ["OCI"]. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Adoption of new accounting standards

The Company has applied IFRS 17 and IFRS 9 in these financial statements. IFRS 17 replaces IFRS 4 - Insurance Contracts ("IFRS 4") and IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39") for annual periods beginning on or after January 1, 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts, and financial instruments. The Company has restated comparative information for 2022 and presented a third consolidated statement of financial position as at January 1, 2022. The nature of the changes in accounting policies resulting from the adoption of IFRS 17 and IFRS 9 is summarized below.

[a] IFRS 17

In May 2017, the IASB issued IFRS 17. IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued and reinsurance contracts held. There are two measurement methodologies under IFRS 17 that may be applicable to the Company, the general measurement model ("GMM") and the premium

allocation approach (“PAA”). The PAA is a simplified measurement model that can be applied to insurance contracts with coverage periods of one year or less (which is the coverage period of most property and casualty insurance contracts), or where the PAA approximates the GMM. Under IFRS 17, the Company’s insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA.

i. Changes to classification and measurement

The measurement principles of the PAA under IFRS 17 differ from the measurement under IFRS 4 in the following key areas:

Insurance contract liabilities

The sum of the liabilities for remaining coverage (“LRC”) and the liabilities for incurred claims (“LIC”).

Liabilities for remaining coverage

The LRC consists of unearned premiums received less unamortized acquisition cash flows paid, plus a loss component for onerous contracts.

Insurance acquisition cash flows:

IFRS 17 broadened the costs eligible for deferral, which has resulted in an increase in the amount deferred, as compared to the deferred policy acquisition expenses recorded under IFRS 4.

Onerous contracts:

Where facts and circumstances indicate that a group of insurance contracts may be non-profitable at initial recognition, the Company performs analyses to determine if a group of contracts is onerous. For groups of contracts that are onerous, the Company recognizes a loss in net income (loss) for the expected net outflow, resulting in earlier recognition compared to IFRS 4. These losses are reversed to net income (loss) over the term of the contracts as actual losses are incurred.

Liabilities for incurred claims

The LIC includes estimates of the Company’s obligation to pay claim liabilities and other incurred insurance expenses. Measurement of the LIC is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non- financial risk.

Risk adjustment:

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfils insurance contracts. The risk adjustment replaces the provision for adverse deviation (“PfAD”) under IFRS 4. Changes in the risk adjustment impacts insurance service expenses.

Discounting:

Under IFRS 17, cash flows are discounted using risk-free yield curves adjusted to reasonably reflect the characteristics of the cash flows and the liquidity of the insurance contracts. The risk-free yield curves are adjusted by an illiquidity premium using a reference portfolio to reflect the liquidity characteristics of the insurance contracts. The selection of reference portfolios is based on market instruments that reflect the nature of the insurance contracts in terms of amount, timing, currency, and liquidity. In contrast to using a liquidity-adjusted risk-free rate, the impact of discounting under IFRS 4 was calculated using a rate derived from investment returns of the Company's investment portfolio backing the claim liabilities. Under IFRS 17, the impact of discounting continues to be recorded by the Company entirely in net income (loss). The impact of discounting is included in "Insurance service expenses" and in "Insurance finance income (expense)".

Reinsurance contract assets

The sum of the assets for remaining coverage ("ARC") and the assets for incurred claims ("AIC").

Assets for remaining coverage

Measurement of the ARC reflects unearned reinsurance premiums paid for reinsurance contracts held. The ARC is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Assets for incurred claims

Measurement of the AIC reflects estimates of claims recoverable from reinsurance contracts held and is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The risk adjustment is included in the consolidated statement of comprehensive income (loss) in "Net (expenses) income from reinsurance contracts held". The impact of discounting is included in "Net (expenses) income from reinsurance contracts held" and in "Reinsurance finance income (expense)".

ii. Changes to presentation and disclosure

The presentation of line items in the interim financial statements has changed significantly compared with the presentation under IFRS 4.

Insurance contract liabilities presented in the consolidated statement of financial position consist of unearned premiums received, unamortized acquisition cash flows paid, loss component for onerous contracts, claim liabilities (including the impact of discounting and risk adjustment), and other related liabilities. Reinsurance contract assets are separately presented in the consolidated statement of financial position and include amounts expected to be recovered from reinsurers and reinsurance premiums paid for future reinsurance coverage. The reclassification of amounts in the consolidated statement of financial position has resulted in a reduction in the consolidated assets and liabilities of the Company.

IFRS 17 requires separate presentation of insurance revenue, insurance service expenses, income or expenses from reinsurance contracts held, and insurance finance income or expenses, which are further described below. Results from insurance contracts issued and reinsurance contracts held are presented separately in the consolidated statement of comprehensive income (loss). Written premiums are no longer disclosed in the consolidated statement of comprehensive income (loss).

Insurance revenue

The Company allocates the expected premiums to each period based on the passage of time similar to IFRS 4. Other underwriting revenues, which consist of various customer service fees, are included in “Insurance revenue” in the consolidated statement of comprehensive income (loss) under IFRS 17.

Insurance service expenses

Insurance service expenses include incurred claims and other incurred directly attributable expenses, amortization of insurance acquisition cash flows, changes that relate to past service (changes in fulfillment cash flows relating to the liabilities for incurred claims), and changes that relate to future service (losses on onerous groups of contracts and reversals of such losses).

Costs that do not relate directly to the fulfillment of an insurance contract are included in “Other income and expense” in the consolidated statement of comprehensive income (loss).

Allocation of reinsurance premiums

The allocation of reinsurance premiums includes the cost of coverage for reinsurance contracts held in the period and includes all other reinsurance held fulfillment cashflows that are not contingent on the occurrence of an insured event. Cashflows classified as “Ceded commissions” under IFRS 4 are now classified as “Allocation of reinsurance premiums”, unless they are contingent profit commissions in which case they would be classified as “Amounts recoverable from reinsurers”.

Amounts recoverable from reinsurers

Amounts recoverable from reinsurers include expected recoveries from reinsurers for incurred claims, adjustment expenses and changes to estimates of fulfillment cashflows related to past service. It also includes any reinsurance held fulfillment cashflows that are contingent on the occurrence of claims such as contingent profit commissions.

Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amounts of the group of insurance contracts and reinsurance contracts held arising from the impact of discount unwinding, changes in discount rates, and any other effects of financial risk.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach. Under the full retrospective approach, as at January 1, 2022, the Company identified, recognized, and measured each group of insurance and reinsurance contracts as if IFRS 17 had always applied, derecognized any previously reported balances that would not have existed if IFRS 17 had always been applied, and recognized any resulting net difference in equity in the January 1, 2022 opening balance sheet, net of income taxes.

[b] IFRS 9

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 was effective for annual periods beginning on or after January 1, 2018. An entity whose activities are predominantly connected with insurance was eligible to apply a temporary exemption to adopt IFRS 9 in conjunction with its adoption of IFRS 17. The Company chose to apply the temporary exemption from IFRS 9 to defer the application of IFRS 9 until the effective date of IFRS 17.

i. Changes to classification and measurement

In December 2021, the IASB amended IFRS 17 to add a transition option for a “classification overlay” to address possible accounting mismatches between financial assets measured under IFRS 9 and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. Applying the classification overlay, an entity is permitted to present comparative information for a financial asset as if the classification and measurement requirements in IFRS 9 had been applied to that financial asset. The Company has applied the classification overlay to all financial assets derecognized in the comparative period.

Under IFRS 9, financial instruments are classified as amortized cost, fair value through other comprehensive income (“FVTOCI”), or fair value through profit or loss (“FVTPL”). The determination of the appropriate classification is based upon the entity’s business model, contractual cash flow characteristics of the instrument, and the entity’s election, if any, on classification.

Equity instruments are classified as FVTPL unless the entity qualifies and elects them as FVTOCI.

The Company assessed its short-term investments, and bonds previously classified as available for sale (“AFS”). These instruments meet the SPPI criterion. Based on the Company’s business model under IFRS 9, these assets have been measured at FVTPL.

The Company’s commercial mortgage portfolio, previously classified as AFS, met the SPPI criterion. Despite having a business model of “collect cashflows and sell financial assets” the Company has designated commercial mortgages as FVTPL in order to reduce a measurement inconsistency. The nature of the inconsistency is that commercial mortgages, among other assets, are held to back the LIC and fluctuations to interest rates will trigger changes to the carrying value of both commercial mortgages and the LIC. Under a FVOCI designation for commercial mortgages these changes would be presented in OCI and the corresponding impact to the LIC would be presented in net income. To eliminate this reporting inconsistency the Company has designated commercial mortgages as FVTPL.

The Company’s preferred stock, common stocks, and real estate investments funds that were previously measured as AFS under IAS 39 do not meet the SPPI criterion and will be measured as FVTPL under IFRS 9.

Loans extended to brokerages meet the SPPI criterion and are managed with a business model to collect the cashflows and therefore are classified as amortized cost.

The following table sets out the Company’s cash and cash equivalents and investments classifications under IFRS 9, the previous classification under IAS 39, and the impact on cash and cash equivalents and investments. A reconciliation between the carrying amounts under IAS 39 as at December 31, 2022 to the balances reported under IFRS 9 as at January 1, 2023 is as follows:

	IAS 39	IFRS 9	IAS 39	IFRS 9
	Classification		Carrying Amount	Reclassif-ications
				Carrying Amount
Cash and cash equivalents	Loans & receivables		347,751	
Bonds	AFS	FVTPL	281,150	(281,150)
				281,150
Commercial mortgages	AFS	FVTPL	61,412	(61,412)
				61,412
Preferred stock	AFS	FVTPL	61,923	(61,923)
				61,923
Common stock	AFS	FVTPL	32,426	(32,426)
				32,426
Real estate	AFS	FVTPL	66,672	(66,672)
				66,672
Broker equity investments	AFS	FVTPL	13,531	(13,531)
				13,531
Broker loans	Loans & receivables		18,508	(18,508)
		Amortized Cost		18,408
Other investments	FVTPL	FVTPL	142	
Total cash, cash equivalents and investments			883,515	(100)
				883,415

ii. Changes to presentation and disclosure

The transition to IFRS 9 has resulted in changes to the composition of gains and losses on investments between net income (loss) and OCI in the consolidated statement of comprehensive income (loss). As all of the Company's investments that were previously classified as AFS are now are designated as FVTPL, unrealized gains and losses on these investments were previously recorded in OCI and are now recorded in net income (loss). As a result, the Company expects there may be additional volatility in net income (loss). Unrealized gains on investments of \$26,787,000 for the year ended December 31, 2023 have been recognized in net income (loss) and \$40,916,000 of losses for the year ended December 31, 2022 have been recognized in net (loss) income that were previously recognized in OCI.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Company has applied the classification overlay to all financial assets derecognized in the comparative period, and has restated the comparative period for the impacts of IFRS 9.

[c] Impact of IFRS 17 and IFRS 9 transition adjustments on equity

The effects of adopting IFRS 17 and IFRS 9 on retained earnings, AOCI and total surplus in the consolidated statements of changes in equity as at January 1, 2022 are as follows:

	Retained Earnings	AOCI	Total surplus
Balance as at December 31, 2021 as previously reported	366,001	6,407	372,408
IFRS 17 adjustments:			
Change from PfAD to risk adjustment	16,964	—	16,964
Difference in discounting under IFRS 17	2,587	—	2,587
Increased deferral of insurance acquisition cashflows	16,992	—	16,992
Income tax impact on transition	(9,677)	—	(9,677)
Total IFRS 17 adjustments	26,866	—	26,866
IFRS 9 adjustments:			
Reclassification of AFS unrealized gains from AOCI to retained earnings	17,522	(17,522)	—
Establishment of an expected credit loss provision on amortized cost loans	(100)	—	(100)
Income tax impact on transition adjustments	(4,625)	4,625	—
Total IFRS 9 adjustments	12,797	(12,897)	(100)
Restated balance as at January 1, 2022	405,664	(6,490)	399,174

The estimated effects of adopting IFRS 17 and IFRS 9 on the consolidated statement of financial position as at January 1, 2022 are as follows:

As at January 1, 2022	As previously reported	IFRS 17 and IFRS 9 adjustments	Restated
Total assets	1,284,578	(236,872)	1,047,706
Total liabilities	912,170	(263,638)	648,532
Total surplus	372,408	26,766	399,174

4. Role of the actuary and auditors

The actuary is appointed by the Board of Directors of the Company and is responsible for ensuring that the assumptions and methods for the valuation of the policy liabilities and assets are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives. The actuary is required to provide an opinion on the appropriateness of the policy liabilities as reflected in the Company's financial statements prepared in accordance with IFRS 17.

The actuary's report outlines the scope of the actuary's work and opinion. The actuary is also required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company for the following three years under adverse economic and business conditions.

The external auditors have been appointed by the Members 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 to report thereon to the Members. In carrying out their audit, the auditors also make use of the work of the actuary and the actuary's report on the Company's policy liabilities. The auditor's report outlines the scope of their audit and their opinion.

5. Significant judgments and estimates

[a] Judgments

Onerous contract assessment

Under IFRS 17, the Company has applied judgment in its determination of groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently, and in the determination of cash flows that relate directly to the fulfilment of insurance contracts.

[b] Estimates

Information about assumptions and estimation uncertainties that have a risk of resulting in material adjustment within the next twelve months is as follows:

i. Liability for incurred claims and asset for incurred claims

The Company has used estimates in the determination of the carrying amount of LIC and the AIC. The Company is required by applicable insurance laws, regulations, and IFRS to establish liabilities for payment of claims and claims adjustment expenses that arise from the Company's insurance products and reinsurance contracts. The liabilities included in the LIC represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. The assumptions underlying the valuation of the LIC are reviewed and updated by the Company on an ongoing basis to reflect recent and emerging trends in experience and changes in the risk profile of the business. The AIC is an estimate of the claims recoverables from reinsurers, the Company uses consistent estimation techniques when measuring the AIC as are used when measuring the LIC. These and their inherent uncertainties are described in notes 2[f] and 7.

The establishment of the liability for incurred claims is based on known facts and interpretation of circumstances and, is therefore, a complex and dynamic process influenced by a large variety of factors. These factors include the Company's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claim severity and claim frequency patterns.

Other factors include the continually evolving and 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 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, 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. Accordingly, short-term settlement claims, such as property claims, tend to be more reasonably predictable than long-term settlement claims, such as automobile bodily injury, accident benefit claims and general liability claims.

Consequently, the establishment of the liability for incurred claims 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's appointed actuary completes an annual evaluation of the adequacy of policy liabilities at the end of each financial year. This evaluation includes a re-estimation of the liability for incurred claims relating to each preceding financial year compared to the liability that was originally established.

The liability for incurred claims includes both unpaid claims and fulfillment expenses to cover claims incurred but not settled at the end of the reporting period. The unpaid claims provision contains both individual claims estimates and an incurred but not reported ["IBNR"] provision.

The IBNR provision is intended to cover future development on both reported claims and claims that have occurred but have yet to be reported. Uncertainty exists on reported claims in that all information may not be available at the valuation date. Claims that have occurred may not be reported to the Company immediately; therefore, estimates are made as to their value.

The liability for incurred claims is an estimate that is determined using a range of accepted actuarial claims projection techniques, such as the Bornhuetter-Ferguson and reported/paid claims development methods. The key assumption of the Bornhuetter-Ferguson method is that unreported claims will develop based on expected claims. The key assumption of the reported/paid claims development method is that claims recorded to date will continue to develop in a similar manner in the future. These techniques use the Company's historical claims development patterns to predict future claims development. In situations where there has been a significant change in the environment or underlying risks, the historical data is adjusted to account for expected differences.

The liability for incurred claims, and asset for incurred claims are discounted to reflect financial risk and the time value of money and include a risk adjustment to reflect the non-financial risk. The Company's method for calculating the impact of discounting and the risk adjustment are described in Note 5[b] and are based on the recommendations of the Canadian Institute of Actuaries ["CIA"].

ii. Discount rates

When measuring the LIC and the AIC, cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the associated insurance contracts. The Company generally determines the risk-free rates based on Government of Canada zero-coupon bonds. The risk-free yield curves are adjusted by an illiquidity premium using a reference portfolio to reflect the liquidity characteristics of the associated insurance and reinsurance contracts. The selection of reference portfolios is based on market instruments that reasonably reflect the nature of the associated insurance contracts in terms of amount, timing, currency, and liquidity. The points on the yield curve within the first 7 years are the most significant because approximately 97% of cashflows are expected to be paid within 7 years.

Yield curve	Insurance contract issued / reinsurance contracts held							
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years*
As at December 31, 2023	4.80%	4.43%	4.20%	4.11%	4.07%	4.06%	4.07%	4.13%
As at December 31, 2022	4.93%	4.72%	4.58%	4.49%	4.45%	4.44%	4.45%	4.51%

*weighted average discount rate for years 8 and beyond

iii. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has estimated the risk adjustment using a cost of capital method where the regulatory capital charge of the existing LIC is projected into future periods. The cost of capital is estimated by applying management's target return on equity to the capital charge on the LIC. The risk adjustment is set as the present value of the cost of capital across all future periods. The calculated risk adjustment results in a confidence level within the 75th to 80th percentile.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

iv. Employee future benefits

Actuarial valuations of benefit liabilities for pension and other post-employment benefit plans are performed as at December 31 of each year based on the Company's assumptions on the discount rate, rate of compensation increase, retirement age, mortality and the trend in health care cost rate. The discount rate is determined by the Company based on a market-related discount rate. Other assumptions are determined with reference to long-term expectations.

6. Investments

The Company utilizes the prudent person approach to asset management as required by the Act. An investment policy is in place, and its application is monitored by the Board of Directors. Diversification techniques are employed to minimize risk. Policies limit investments, excluding cash balances, in any entity or group of related entities to a maximum of 5% of the Company's assets. Limitations are also placed on the quality of investments, particularly relating to investment-grade bonds. The amortized cost, fair value, unrealized gain or loss and term to maturity are summarized as follows:

	Amortized cost / cost \$	Fair value \$	Unrealized gain (loss) \$
Cash and cash equivalents			
Cash	347,225	347,225	—
Cash equivalents	3,932	3,932	—
	351,157	351,157	—
Bonds			
Federal governments			
Due under 1 year	8,153	8,131	(22)
Due in 1 - 5 years	93,204	91,766	(1,438)
After 5 years	461	357	(104)
Provincial governments			
Due under 1 year	—	—	—
Due in 1 - 5 years	62,711	62,199	(512)
After 5 years	2,829	2,575	(254)
Corporate			
Due under 1 year	6,546	6,639	93
Due in 1 - 5 years	177,079	179,824	2,745
After 5 years	81,408	80,745	(663)
	432,391	432,236	(155)
Commercial mortgages	67,686	65,951	(1,735)
Equities			
Common stocks	12,925	20,510	7,585
Preferred stocks	110	117	7
Total equities	13,035	20,627	7,592
Real estate and infrastructure	13,668	11,632	(2,036)
Other investments			
Loans extended to brokers	15,506	15,506	—
Broker equity investments	12,570	12,570	—
Foreign exchange derivative	-	1,093	1,093
Total other investments	28,076	29,169	1,093
	906,013	910,772	4,759

2022 (restated)

	Amortized cost / cost \$	Fair value \$	Unrealized gain (loss) \$
Cash and cash equivalents			
Cash	340,599	340,599	—
Cash equivalents	7,152	7,152	—
	347,751	347,751	—
Bonds			
Federal governments			
Due under 1 year	9,624	9,504	(120)
Due in 1 - 5 years	56,315	53,519	(2,796)
After 5 years	6,080	6,100	20
Provincial governments			
Due under 1 year	17,043	16,729	(314)
Due in 1 - 5 years	25,675	23,738	(1,937)
After 5 years	2,926	2,568	(358)
Corporate			
Due under 1 year	5,442	5,371	(71)
Due in 1 - 5 years	89,693	87,318	(2,375)
After 5 years	80,405	76,303	(4,102)
	293,203	281,150	(12,053)
Commercial mortgages	64,569	61,412	(3,157)
Equities			
Common stocks	27,634	32,426	4,792
Preferred stocks	73,258	61,923	(11,335)
Total equities	100,892	94,349	(6,543)
Real estate and infrastructure	68,174	66,672	(1,502)
Other investments			
Loans extended to brokers	18,408	18,408	—
Broker equity investments	13,531	13,531	—
Foreign exchange derivative	-	142	142
Total other investments	31,939	32,081	142
	906,528	883,415	(23,113)

Included in fixed income is \$464,164,000 [2022 - \$295,556,000] that is expected to settle in more than 12 months. Equities have no fixed maturity dates.

Actual and effective interest rates of the bond portfolio are summarized as follows:

	2023		2022	
	Effective rates (%)	Coupon rates (%)	Effective rates (%)	Coupon rates (%)
Federal Bonds	1.87-5.01	0.00-5.00	1.69-4.36	0.25-4.50
Provincial Bonds	1.78-4.59	1.85-6.50	0.41-1.78	1.85-9.38
Corporate Bonds	1.00-72.46	0.00-13.73	1.00-13.48	0.00-13.48

Investment policy and strategy have been established taking into consideration historic claims settlement patterns. Since the nature of the business is ongoing, current cash flow is utilized to settle claims and any excess cash flow is invested. Fluctuations in interest rates could have a significant impact on the market value of the bond portfolio. This could result in the need to realize gains or losses if actual claims payments differed significantly from expected and some liquidation of assets was required to meet policy obligations.

Expected credit losses (“ECL”)

A reconciliation of the opening to closing ECL, and the gross carrying amount of assets subjected to an ECL provision is detailed below. The Company has applied a 12-month ECL provision to all assets classified as amortized cost, no assets met the criteria for a lifetime ECL provision.

	2023		2022	
	Gross carrying amounts	ECL provision	Gross carrying amounts	ECL provision
Opening balance, beginning of period	18,508	100	31,356	100
Financial instruments acquired	—	—	1,412	—
Financial instruments derecognized	(2,902)	—	(14,260)	—
Closing balance, end of period	15,606	100	18,508	100

Fair values

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 well as commercial mortgage and real estate and infrastructure pooled funds, was as follows:

	2023			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - common shares	—	—	20,510	20,510
Equities - preferred shares	117	—	—	117
Bonds	—	421,278	10,957	432,235
Commercial mortgages	—	13,218	52,733	65,951
Real estate infrastructure funds	—	—	11,632	11,632
Broker equity investments	—	—	12,570	12,570
Foreign exchange derivative	—	1,093	—	1,093
	117	435,589	108,402	544,108

	2022 (restated)			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - common shares	14,669	—	17,757	32,426
Equities - preferred shares	61,923	—	—	61,923
Bonds	7,201	263,236	10,713	281,150
Commercial mortgages	12,203	—	49,209	61,412
Real estate infrastructure funds	37,071	2,447	27,154	66,672
Broker equity investments	—	—	13,531	13,531
Foreign exchange derivative	—	142	—	142
	133,067	265,825	118,364	517,256

The Company did not have any transfers between the Level 1, Level 2 and Level 3 categories. Investments classified as level 3 are valued quarterly based on the statements received from the fund managers.

Loans extended to brokers at a carrying value of \$15,506,000 [2022 - \$18,408,000] are classified as amortized cost and a fair value is not readily determinable. Accordingly, they are not presented in the tables above.

7. Insurance and reinsurance contracts

[a] Insurance contract liabilities

The roll-forward of the liabilities for insurance contracts issued, showing the LRC and the LIC, is presented in the following tables:

For the year ended December 31, 2023	Liabilities for remaining coverage			Liabilities for incurred claims	
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities December 31, 2022	63,504	—	521,352	24,949	609,805
Insurance revenue	(699,303)	—	—	—	(699,303)
Insurance service expenses:					
Incurred claims and directly attributable expenses	—	—	471,395	12,546	483,941
Amortization of insurance acquisition cashflows	184,119	—	—	—	184,119
Change in fulfilment cashflows relating to the LIC	—	—	36,194	(8,401)	27,793
Losses on onerous contract and reversals of losses	—	2,596	—	—	2,596
Insurance service result	(515,184)	2,596	507,589	4,145	(854)
Insurance finance (income) expense	—	—	25,639	—	25,639
Total changes in the consolidated statement of loss (income)	(515,184)	2,596	553,228	4,145	24,785
Cashflows:					
Premiums received	682,735	—	—	—	682,735
Claims and other directly attributable expenses paid	—	—	(472,989)	—	(472,989)
Insurance acquisition cashflows	(189,426)	—	—	—	(189,426)
Total cashflows	493,309	—	(472,989)	—	20,320
Insurance contract liabilities, December 31, 2023	41,629	2,596	581,591	29,094	654,910

For the year ended December 31, 2022	Liabilities for remaining coverage			Liabilities for incurred claims	
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities December 31, 2021	74,527	—	499,272	26,920	600,719
Insurance revenue	(626,663)	—	—	—	(626,663)
Insurance service expenses:					
Incurred claims and directly attributable expenses	—	—	470,642	8,190	478,832
Amortization of insurance acquisition cashflows	161,501	—	—	—	161,501
Change in fulfilment cashflows relating to the LIC	—	—	(15,233)	(10,161)	(25,394)
Losses on onerous contract and reversals of losses	—	—	—	—	—
Insurance service result	(465,162)	—	455,409	(1,971)	(11,724)
Insurance finance (income) expense	—	—	(19,271)	—	(19,271)
Total changes in the consolidated statement of loss (income)	(465,162)	—	436,138	(1,971)	(30,995)
Cashflows:					
Premiums received	630,854	—	—	—	630,854
Claims and other directly attributable expenses paid	—	—	(414,058)	—	(414,058)
Insurance acquisition cashflows	(176,715)	—	—	—	(176,715)
Total cashflows	454,139	—	(414,058)	—	40,081
Insurance contract liabilities, December 31, 2023	63,504	—	521,352	24,949	609,805

[b] Reinsurance contract assets

The roll-forward of the reinsurance contract assets showing the ARC and the AIC is presented in the following tables:

For the year ended December 31, 2023	Assets for remaining coverage			Assets for incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk		
Reinsurance contract assets, December 31, 2022	1,154	—	33,815	1,017	35,986	
Allocation of reinsurance premiums	(34,618)	—	—	—	(34,618)	
Amounts recoverable from reinsurers for incurred claims:						
Amounts recoverable for incurred claims and other directly attributable expenses	—	—	14,860	(179)	14,681	
Changes to amounts recoverable for incurred claims	—	—	(1,951)	525	(1,426)	
Changes in non-performance risk of reinsurers	—	—	(20)	—	(20)	
Net (expenses) income from reinsurance contracts held	(34,618)	—	12,889	346	(21,383)	
Reinsurance finance income (expense)	—	—	1,056	—	1,056	
Total changes in the consolidated statement of (loss) income	(34,618)	—	13,946	346	(20,326)	
Cashflows:						
Premiums paid	33,231	—	—	—	33,231	
Amounts received	—	—	(18,677)	—	(18,677)	
Total cashflows	33,231	—	(18,677)	—	14,554	
Reinsurance contract assets, December 31, 2023	(233)	—	29,084	1,363	30,214	

For the year ended December 31, 2022	Assets for remaining coverage			Assets for incurred claims	
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, December 31, 2021	(1,510)	—	29,522	1,267	29,278
Allocation of reinsurance premiums	(34,849)	—	—	—	(34,849)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	—	—	20,888	(710)	20,178
Changes to amounts recoverable for incurred claims	—	—	2,700	461	3,161
Changes in non-performance risk of reinsurers	—	—	1,377	—	1,377
Net (expenses) income from reinsurance contracts held	(34,849)	—	24,965	(249)	(10,133)
Reinsurance finance income (expense)	—	—	784	—	784
Total changes in the consolidated statement of (loss) income	(34,849)	—	25,749	(249)	(9,349)
Cashflows:					
Premiums paid	37,513	—	—	—	37,513
Amounts received	—	—	(21,456)	—	(21,456)
Total cashflows	37,513	—	(21,456)	—	16,057
Reinsurance contract assets, December 31, 2022	1,154	—	33,815	1,017	35,986

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk, in various areas of exposure, with other insurers. While reinsurance is obtained to protect against large losses, the primary liability to the policyholder remains with the Company. Failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible. It is the policy of the Company to place reinsurance with companies registered with the Office of the Superintendent of Financial Institutions Canada. The Company monitors the financial condition of its reinsurers relying largely on information prepared by outside organizations, and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvency. As at December 31, 2023, reinsurance recoverable with a carrying value of \$6,065,000 [2022 - \$8,582,000] were associated with a single reinsurer. Presented within reinsurance contract assets, management has included a provision for reinsurer non-performance as at December 31, 2023 of \$1,204,000 relating to reinsurance recoverable [2022 - \$1,340,000].

The Company's 2023 reinsurance treaties limit the liability of the Company to an amount of \$4,950,000 on any property or liability claim up to a maximum of \$60,000,000. The reinsurance for catastrophe losses has an upper limit of \$660,000,000 and limits the Company's liability to \$10,400,000 in respect of any single loss or series of losses arising out of a single occurrence. Included in the property catastrophe treaty is an underlying aggregate reinsurance cover. This aggregate cover has an annual deductible of \$8,000,000, a limit of \$12,000,000 and applies to catastrophe losses greater than \$1,500,000. The company retains 51.2% of the claims eligible for the aggregate cover. In 2022, the company entered into a net quota share treaty where 2.5% of personal lines losses [net of other reinsurance contracts] with an accident year of 2022 are reinsured.

[c] Claims development table

The following table shows the revised estimates of the ultimate claims and adjustment expense related to insurance contracts issued relative to their original estimates as at December 31. Amounts from 2022 and earlier are restated.

Accident Year	Before 2019	2019	2020	2021	2022	2023	Total
	\$	\$	\$	\$	\$	\$	\$
Ultimate claims and adjustment expenses, Undiscounted							
Original estimate at the end of accident year		269,359	247,270	269,462	371,670	423,092	
1 year later		265,698	240,145	265,971	379,548		
2 years later		266,125	239,381	264,731			
3 years later		257,914	234,977				
4 years later		256,647					
Revised estimate December 31, 2023		256,647	234,977	264,731	379,548	423,092	
Cumulative payments to date		224,949	194,521	202,886	262,962	182,803	
Undiscounted Claims and adjustment expenses	72,473	31,698	40,456	61,845	116,586	240,289	563,347
Effect of discounting							(49,591)
Unallocated loss adjustment expense reserve							26,263
Risk adjustment for non-financial risk							28,092
Claims assumed from risk pooling mechanism							13,511
Liabilities for other expenses included in the LIC							29,062
Liability for incurred claims							610,685

The following table shows the revised estimates of the ultimate claims and adjustment expense related to reinsurance contracts held relative to their original estimates as at December 31. Amounts from 2022 and earlier are restated.

Accident Year	Before 2019 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	Total \$
Ultimate claims and adjustment expenses, Undiscounted							
Original estimate at the end of accident year		2,591	22,537	11,313	22,226	15,645	
1 year later		1,216	22,436	8,968	22,524		
2 years later		1,105	23,093	9,226			
3 years later		1,262	22,879				
4 years later		115					
Revised estimate December 31, 2023		115	22,879	9,226	22,524	15,645	
Cumulative payments to date		115	21,409	8,576	19,917	163	
Undiscounted Claims and adjustment expenses	9,316	0	1,470	650	2,607	15,482	29,525
Effect of discounting							(1,641)
Risk adjustment for non-financial risk							1,363
Amounts receivable from (to) reinsurers							1,220
Asset for incurred claims							30,447

[d] Changes in assumptions used in measuring insurance contract liabilities

Assumptions used to develop this estimate are selected by class of business and geographic location. Consideration is given to the characteristics of the risks, historical trends, the amount of data available on individual claims, inflation and any other pertinent factors. Some assumptions require a significant amount of judgment such as the expected future impacts of future judicial decisions and government legislation. The diversity of these considerations results in it not being practicable to identify and quantify all individual assumptions that are more likely than others to have a significant impact on the measurement of the Company's insurance contracts. There were no assumptions identified in the year or the preceding year as having a potential or identifiable material impact on the overall claims estimate.

[e] Structured settlements

The Company has purchased a number of annuities with an estimated fair value of \$38,309,151 in settlement of claims [2022 - \$41,481,000]. These annuities have been purchased from registered Canadian life insurers with the highest claims paying ability ratings as determined by outside ratings organizations. The Company has a contingent credit risk with respect to the failure of these life insurers, with a maximum contingent credit risk applicable to any one life insurer of \$11,590,549.54 [2022 - \$16,974,000]. Management has concluded that no provision for expected credit loss is required as at December 31, 2023 [2022 restated - Nil].

8. Other assets and accounts payable and other liabilities

[a] Other assets (excluding those within the scope of IFRS 17) comprise the following:

	2023 \$	2022 Restated \$
Due from risk sharing pools	3,662	2,839
Prepaid assets	2,137	2,800
Pension asset	3,342	4,460
Other	601	1,863
	9,742	11,962

Included in other assets is \$35,186 [2022 restated - \$49,153] that is due to settle in greater than 12 months excluding the pension asset.

[b] Accounts payable and other liabilities (excluding those within the scope of IFRS 17) comprise the following:

	2023 \$	2022 Restated \$
Employee future benefit obligations	10,663	7,786
Employee costs	4,491	8,504
Sales tax payable	1,242	2,738
Lease liabilities	4,502	5,155
Accrued Liabilities	3,813	2,836
Other	546	7,204
	25,257	34,223

Included in accounts payable and other liabilities is \$20,990,000 [2022 restated - \$18,072,000] that is due to settle in more than 12 months.

9. Property and equipment

	Land and land improvements \$	Building and building improvements \$	Furniture and Equipment \$	Computer equipment and hardware \$	Total \$
Cost or deemed cost					
Balance, January 1, 2023	8,273	25,000	9,115	8,097	50,485
Additions	-	1,400	136	95	1,631
To transfer to intangible assets	-	(215)	82	(17)	(150)
Disposals	-	-	(187)	-	(187)
Balance, December 31, 2023	8,273	26,185	9,146	8,175	51,779
Accumulated depreciation					
Balance, January 1, 2023	1,206	9,369	7,223	3,752	21,550
Depreciation for the year	85	1,900	361	2,042	4,388
To transfer to intangible assets	-	-	719	409	1,128
Disposals	-	-	(129)	-	(129)
Balance, December 31, 2023	1,291	11,269	8,174	6,203	26,937
Carrying amounts					
Balance, January 1, 2023	7,067	15,631	1,892	4,345	28,935
Balance, December 31, 2023	6,982	14,916	972	1,972	24,842

Right-of-use assets

The carrying amounts of the Company's right-of-use assets and the movements during the period are as follows:

	Building and building improvements \$	Computer equipment and hardware \$	Vehicles \$	Total \$	Lease liabilities \$
Cost or deemed cost					
Balance, January 1, 2023	5,190	862	1,260	7,312	5,177
Additions	—	—	199	199	199
Disposals	—	—	(152)	(152)	(152)
Balance, December 31, 2023	5,190	862	1,307	7,359	5,224
Accumulated depreciation					
Balance, January 1, 2023	1,397	854	739	2,990	—
Depreciation for the year	529	5	216	750	—
Disposals	—	—	(152)	(152)	—
Balance, December 31, 2023	1,926	859	803	3,588	—
Interest expense	—	—	—	—	150
Payments	—	—	—	—	(872)
Carrying amounts					
Balance, January 1, 2023	3,793	8	521	4,322	5,177
Balance, December 31, 2023	3,264	3	504	3,771	4,502

During the year, depreciation of \$750,000 (2022 - \$929,000) and interest of \$150,000 (2022 - \$162,000) was recognized in the consolidated statement of comprehensive income (loss) for the right-of-use assets and lease liabilities.

10. Intangible assets

Computer software
\$

Cost	
Balance, January 1, 2023	125,576
Additions	1,900
Transfer from property and equipment	150
Impairment write-down	(1,133)
Disposals	(7,470)
Balance, December 31, 2023	119,023
Amortization	
Balance, January 1, 2023	68,985
Amortization for the year	7,660
Transfer from property and equipment	(1,128)
Disposals	(7,470)
Balance, December 31, 2023	68,047
Carrying amounts	
Balance, January 1, 2023	56,591
Balance, December 31, 2023	50,976

Computer software additions comprise mainly of strategic investments made to replace, upgrade and develop the company's finance and operational systems. At December 31, 2023, there was \$754,129 of software that is yet to be brought into use [2022- \$0].

11. Income taxes

[a] Income tax expense

	2023 \$	2022 Restated \$
Provision for (recovery of) income taxes		
Current income tax (recovery)		
Current taxes on income for the reporting period	(2,330)	(1,905)
Current taxes relating to previous periods	87	(467)
Amount of previously unused tax losses		(48)
Amounts relating to changes in accounting policies and errors		(7,462)
	(7,371)	(9,882)
Deferred income tax		
Origination and reversal of temporary differences	(5,904)	3,694
Amount of deferred unused tax losses	(5109)	(2,615)
Reversal of deferred tax assets		626
Amounts relating to changes in accounting policies and errors		(1,917)
	(6,059)	(212)
Provision for (recovery of) income taxes	(13,430)	(10,094)
Income tax (recovery) included in other comprehensive income		
Current income tax (recovery)		
Defined benefit plan remeasurements	(643)	1,863
Income tax expense (recovery) included in other comprehensive income (loss)	(643)	1,863

[b] Reconciliation of effective tax rate

The Company's provision for (recovery of) income taxes varies from the expected provision at the combined statutory rate for the following reasons:

	2023 \$	2022 Restated \$
Combined basic Canadian federal and provincial income tax rate	26.5%	26.5%
Income tax expense (recovery) based on combined basic income tax rate	(9,624)	2,686
Increase (decrease) in taxes resulting from		
Non-taxable investment income	(1,715)	(2,452)
Non-taxable investment revaluation for accounting purposes		(591)
Rate differential on taxable capital gain		(296)
Non-deductible expenses	122	106
Refundable portion relating to dividends paid	(2,283)	—
Other	70	(168)
Provision for income taxes	(13,430)	(10,094)

[c] Deferred taxes

i. **Deferred tax relates to the following:**

	2023 \$	2022 Restated \$
Deferred income tax assets		
Policy reserves	7,719	6,719
Charitable donations	432	233
Deferred policy acquisition costs		6,785
Employee future benefits	2,424	1,299
Deferred losses carried forward	13,779	5,913
	24,354	20,949
Deferred income tax liabilities		
Loss reserves	645	334
Property and equipment and computer software	13,428	15,970
Deferred IFRS 18	3,487	11,058
Deferred realized gains	185	295
	17,745	27,657
Net deferred tax asset	6,609	(6,708)

ii. Reconciliation of the net deferred tax asset is as follows:

	2023 \$	2022 Restated \$
Balance, beginning of year	(6,708)	3,098
Tax income during the year recognized in profit or loss	12,674	(16,061)
Tax income (expense) during the year recognized in OCI	643	4,733
Reversal of deferred tax liability relating to discontinued operations		1,522
Balance, end of year	6,609	(6,708)

The Company recognizes deferred tax assets to the extent that it is probable that sufficient future taxable profits will be available to realize the carryforward of unused tax losses or tax credits. Deferred tax assets have been recognize for noncapitallosses and corporate minimum tax credit carryforwards. The Company has capital losses of \$850,000 to be carriedforward indefinitely however a deferred tax asset was not recognized due to the unlikley probablilty that an applicable taxable capital gain will be realized.

12. Employee future benefits

The Company sponsors a number of funded and unfunded defined benefit pension plans that provide benefits to members in the form of a guaranteed level of pension payable for life based on final average earnings and contingent upon certain age and service requirements.

In accordance with the Pension Benefits Act (Ontario) and the Income Tax Act (Canada), the Company is the administrator of the plans and is ultimately responsible for all aspects of the plans, including administration, financial management, oversight and compliance with legislative requirements and plan documents. Some of the duties for which the administrator is responsible have been delegated, where appropriate, to a committee of the Board or third-party advisors. The administrator, directly or with delegates, has a duty to apply the knowledge and skills needed to meet governance responsibilities with respect to the plans.

Commencing January 1, 2008, the Company established a defined contribution plan for new employees. The Company's share of contributions is expensed as they are incurred. The Company's contributions totalled \$3,604,000 for the year ended December 31, 2023 [2022 - \$3,755,000].

[a] Minimum payments for registered defined benefit plans

According to the most recent actuarial valuation for funding purposes at December 31, 2021, the employee pension plan is 98.5% funded on the solvency basis. Since the plan is over 85% funded on the solvency basis, no deficit funding payments are required. The employer is required to contribute the residual normal cost of 819% of the employee contributions [2022 - 819%]. Employees are required to contribute 1.75% of their annual earnings up to the year's maximum pensionable earnings and 4% thereafter.

According to the most recent actuarial valuation for funding purposes as at December 31, 2021, the senior pension plan has a shortfall on both the going concern basis and the solvency basis. The employer is therefore required to contribute minimum amortization payments in addition to the residual normal cost of 29.1% [2022 - 29.1%] plus \$50,000 [2022 - \$50,000] per year in expense provisions in accordance with Income Tax Act (Canada) limitations.

The remaining plans of the Company are not registered under any of the provincial or federal pension benefit acts and do not require minimum payments.

The Company has adopted a funding practice to make the minimum required contributions as required by law or such greater amount as the Company may deem appropriate.

[b] Risks associated with defined benefit plans

Risks associated with this plan are similar to those of typical defined benefit plans, including market risk, interest rate risk, liquidity risk, credit risk, currency risk, and longevity risk. There are no significant risks associated with these plans that could be deemed unusual or require special disclosure.

[c] Duration of defined benefit obligation

The interest rate sensitivity of the defined benefit obligation can be measured using duration. The duration also provides information on the maturity profile of the obligation. The duration of the defined benefit obligation as at December 31, 2023 is presented in the following table:

	Employee Plan	Senior Plan	Supplemental plan	Directors plan	Non-pension benefits plan
Assumptions	Dec. 31, 2023	Dec. 31, 2023	Dec. 31, 2023	Dec. 31, 2023	Dec. 31, 2023
Membership data	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020
Duration of defined benefit obligation	19 years	13 years	12 years	5 years	14 years

[d] Sensitivity analysis

Reasonably possible changes as at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation as at December 31, 2023 by the amounts shown below:

	Employee Plan	Senior Plan	Supplemental plan	Directors plan	Non-pension benefits plan
Membership data	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020
Discount rate [+50bps]	(1,953)	(341)	(676)	(51)	(419)
Discount rate [-50bps]	2,207	378	747	55	467
Salary growth [+50bps]	798	—	144	—	—
Salary growth [-50bps]	(741)	—	(138)	—	—

Mortality sensitivity: The effect of increasing the overall life expectancy by one year, on average, is an increase to the accrued benefit obligation of 2.54%.

Post-retirement plan

The sensitivity analysis of the post-retirement plan at December 31, 2023 for a 1% increase and decrease in health and dental claims cost trend rates is as follows:

	1% Increase \$	1% Decrease \$
Defined benefit obligation impact, December 31, 2023	1,108	(899)
Current service and interest cost impact for 2024	70	(56)

[e] Other information related to the Company's defined benefit plans

Actuarial valuations of the pension plans are made periodically for accounting purposes, based on a market-related discount rate. The following tables present information related to the Company's benefit plans:

	2023			2022		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
	\$	\$	\$	\$	\$	\$
Accrued benefit obligation, end of year	41,859	6,496	48,355	61,417	5,914	67,331
Fair value of plan assets, end of year	41,034	–	41,034	64,005	–	64,005
Net accrued benefit asset (liabilities) end of year	(825)	(6,496)	(7,321)	2,588	(5,914)	(3,326)
Plans in a net asset position	3,309	–	3,309	4,459	–	4,459
Plans in a net liability position	(4,134)	(6,496)	(10,630)	(1,871)	(5,914)	(7,785)

	2023			2022		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
	\$	\$	\$	\$	\$	\$
Employer's contributions	1,053	238	1,291	1,335	255	1,590
Employees' contributions	125	–	125	118	0	118
Benefits paid	4,176	238	4,414	4,005	255	4,260
Net benefit plan expense	1,652	364	2,016	2,490	340	2,830

	2023		2022	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	\$	\$	\$	\$
	Dec 31	Dec 31	Dec 31	Dec 31
	2021	2020	2021	2020
Measurement date				
Most recent actuarial valuation for funding purposes				
Discount rate, beginning of year (%)	5.2	5.2	3.3	3.3
Discount rate, end of year (%)	4.6	4.6	5.2	5.2
Rate of compensation increase (%)	3.0	–	3.0	–

The assumed blended cost trend rate for health benefits at December 31 is 5.57% (2022 - 5.57%), reducing by various amounts to an ultimate rate of 3.57% (2022 - 3.57%). The assumed dental care trend rate is 3.00% (2022 - 3.00%).

The fair value of plan assets for the Company's pension plans is as follows:

	2023		2022	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	\$	\$	\$	\$
Cash and cash equivalents	9,069	22	10,618	16
Fixed income	23,661	58	35,655	56
Equities	8,304	20	17,732	28
	41,034	100	64,005	100

[f] Pension buy-out transaction

On August 31, 2023, the Company has entered into an annuity buy-out transaction with RBC Life Insurance Company to transfer \$22,802,000 of its defined benefit pension obligations. The completed transaction fully transferred and discharged the pension plan of these related obligations. Gore was not required to make any cash contribution to complete the transactions. This transaction has led to a net settlement loss of \$343,000.

13. Operating expenses

	2023 \$	2022 Restated \$
Salaries and other employee expenses	87,340	80,972
Depreciation, amortization and impairment charges	12,796	10,475
Impairment loss on PPE and Intangibles	1,191	—
Information technology costs	29,654	27,517
Postage and courier costs	3,065	4,955
Professional and consulting fees	7,479	13,177
Cost of underwriting data and inspections	2,897	2,881
Membership and association fees	1,613	1,235
Advertising and business development	4,064	2,955
Building costs	2,558	1,109
Other	3,951	5,325
	156,608	150,601
Reallocation to insurance service expenses and investment expenses	(124,020)	(118,748)
Gain from sale of broker subsidiary [Note 19]	—	(17,696)
Other income and expenses	32,588	14,157

Operating expenditure comprises those expenses required in the ordinary course of business.

14. Capital management

Capital comprises the Company's surplus, which includes retained earnings and accumulated other comprehensive income (loss) ("AOCI"). As at December 31, 2023, the Company's surplus was \$364,110,000 [2022 restated - \$388,731,000] composed primarily of retained earnings of \$367,255,000 [2022 restated - \$390,095,000] and an AOCI of (\$3,145,000) [2022 restated - (\$1,365,000)]. The Company's objectives when managing capital are to protect its claims paying abilities and ensure the long-term strength and stability of the organization. Senior executive management develops the capital strategy and oversees the capital management processes of the Company. Capital is managed using both regulatory capital measures and internal metrics.

Canadian property and casualty insurance companies are regulated by the Act and supervised by OSFI and the Financial Services Regulatory Authority of Ontario. The minimum supervisory target capital ratio requirement is 150%. To measure the degree to which the Company is able to meet supervisory requirements, the Appointed Actuary must present an annual report to the Audit and Risk Committee and management on the Company's current and future solvency. The Appointed Actuary tests a number of adverse scenarios and models the impact on the financial position of the Company. None of the scenarios tested resulted in a financial position below the regulatory guideline. As at December 31, 2023, the Company has a Minimum Capital Test ("MCT") ratio of 220% [2022 - 234%].

15. Cashflows from operating activities

The following table shows the changes in operating assets and liabilities included in the consolidated statements of cash flows during the year ended December 31:

	2023 \$	2022 \$
Adjustments for non-cash items		
Amortization and depreciation		
Bond premium/discount	(3,204)	(1,116)
Property and equipment	5,138	3,303
Intangible assets	7,660	7,733
Impairment loss	1,133	—
Net investments (gains) losses	(27,738)	40,916
	(17,011)	50,836
Changes in operating assets and liabilities		
Reinsurance contract assets	5,772	(6,708)
Other assets	1,248	3,406
Insurance contract liabilities	45,105	9,086
Accounts payable and other liabilities	(10,623)	(789)
	41,502	4,995

16. Financial instruments and risk management

The Company's exposure to potential loss from financial instruments is primarily due to underwriting risk and various investment market risks, including interest rate risk and equity market fluctuation risk and foreign exchange risk, derivative risk, liquidity risk, as well as credit risk.

[a] Underwriting 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, concentration of risk, catastrophic loss risk and reinsurance risk. The Company's underwriting objective is to develop business within its target market, which is a low-to-medium risk profile using a diversified independent broker network to achieve long-term underwriting profitability.

The business risk of insurance is primarily in pricing and underwriting the products, in managing investment funds, and in estimating and settling claims costs. To mitigate some of its risks, the Company purchases reinsurance to share part of the risk originally accepted in writing the premiums. The cost of Reinsurance is approximately 5.0% [2022 – 5.6%] of the Company's insurance revenue. The Company has established risk management policies and procedures to measure and control risk. These policies and procedures are reviewed periodically by senior management, the Board of Directors, internal and external auditors and regulators.

i. Concentration of risk

The Company writes property and casualty insurance contracts with the vast majority of coverages periods being 12 months or less. The most significant risks arise from natural disasters, climate change and other catastrophes. The Company has a reinsurance program to limit the exposure to catastrophic losses.

The Company has a concentration of business in automobile and property insurance in the Province of Ontario and property insurance in the Province of British Columbia. For the year ended December 31, 2023, automobile policies represented 44% [2022 – 45%] and property policies represented 56% [2022 – 55%] of insurance revenue. The provincial breakdown of 2023 insurance revenue is as follows: Ontario accounted for 76% [2022 – 77%], British Columbia accounted for 21% [2022 – 21%] and all remaining provinces accounted for 3% [2022 – 2%]. In Ontario, automobile insurance premium rates, other than for fleet automobile, are regulated by provincial government authorities. 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 approvals.

Reserving risk is reduced through various internal and external control processes including minimum reserve standards, quality assurance reviews, monthly committee review, and legal counsel. The liability for incurred claims and asset for incurred claims are reviewed by an independent appointed actuary who reports on the adequacy of the reserves. The work of the appointed actuary is also subject to audit and peer review.

ii. Pricing risk

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclical nature of the insurance market. The Company focuses on profitable underwriting using a combination of experienced underwriting staff, pricing models and price adequacy monitoring tools. The Company's pricing process is designed to ensure an appropriate return on capital while also providing long-term rate stability. These factors are reviewed and adjusted regularly to ensure the Company's prices are responsive to the current environment and competitor behaviour and in doing so remain competitive and profitable.

iii. Reserving risk

Reserving risk arises when actual ultimate paid claims and adjustment expenses are different from previous estimates. 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 assumptions made when initially estimating the liability for incurred claims. Reserving risk includes both the risk that reserves are too low, with the result that not enough reserves are provided for the payment of claims, and the risk that reserves are too high because management is overly conservative in establishing reserves. Reserving patterns are the basis of the actuarial pattern of future claims costs, and inconsistent patterns can have a significant impact on the financial position of the Company. Reserve changes associated with claims of prior periods are recognized in the current period, which impact current year earnings. Reserves are a key data point included in total claims expense which is used for product and reinsurance pricing; inaccurate reserving levels may cause delays in establishing proper pricing.

iv. Catastrophic loss risk

Catastrophic loss risk is the exposure to losses resulting from multiple claims arising out of a single catastrophic event. The Company evaluates catastrophic events and assesses the probability of occurrence and magnitude of catastrophic events through various modelling 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. See note 7[b] for additional information relating to the Company's reinsurance treaty limits.

v. Reinsurance risk

The Company relies on reinsurance to manage underwriting risk; however, reinsurance does not release the Company from its primary commitments to its policyholders.

Therefore, the Company is exposed to the credit risk associated with the amounts ceded to reinsurers. The Company assesses the financial soundness of all reinsurers before signing any reinsurance treaties. In addition, the Company monitors the rating of all reinsurers on a regular basis and uses a professional reinsurance broker who advises the Company on coverage as well as the ongoing financial stability of the reinsurers. To further reduce the risk of coverage gaps, the Company purchases facultative reinsurance for risks outside of its limits profile.

vi. 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. Risks associated with property and casualty insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company considers that the liability for incurred claims is adequate. However, actual experience will differ from the expected outcome.

To ensure that the Company has sufficient capital to withstand a variety of significant and plausible adverse event scenarios, the Company performs Financial Condition Testing ["FCT"] on the capital adequacy of the Company. FCT is performed annually as required by the CIA, and is prepared by the appointed actuary. The adverse event scenarios are reviewed annually to ensure that the appropriate risks are included in the FCT process.

Plausible adverse event scenarios used include consideration of claims frequency and severity risk, inflation risk, premium risk, reinsurance risk and investment risk. The exposure of the peril of earthquake with default of reinsurers is also applied in a stress test analysis. The most recent results indicated that the Company's future financial and capital positions are satisfactory under the assumptions applied.

[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 primarily through its investment assets, balances receivable from policyholders and brokers, and balances recoverable from reinsurers on ceded losses. The Company has the following credit risk exposures:

	2023 \$	2022 \$
Government bonds	165,028	112,158
Corporate bonds	267,208	168,992
Commercial mortgages	65,951	61,412
Preferred shares	117	61,923
Loans issued to brokerages	15,506	18,408
Broker and insured receivables	229,737	211,637
Reinsurance recoverables	32,011	34,655
Off-balance sheet annuities [see note 7[e]]	38,309	41,481
Total credit risk exposure	813,867	710,666

i. Investment assets

The Company's risk management strategy is to invest primarily in debt instruments of high-credit-quality issuers and to limit the amount of credit exposure with respect to any one issuer. The Company limits credit exposure by imposing portfolio limits on individual corporate issuers as well as limits based on credit quality.

The DBRS credit ratings of the bond portfolio at December 31, 2023 are 22% AAA, 6% AA, 31% A, 26% BBB, 5% BB, 6% B, and 4% other [2022 - 14% A, 31% BBB, 9% BB, 33% B, and 13% other].

The DBRS credit ratings of the preferred share portfolio at December 31, 2023 are 4% P3 and 96% NR [2022 - 45% P2, 47% P3, and 8% NR].

Bonds, mortgages and preferred shares are classified as FVTPL under IFRS 9, where an increase to an investment asset's credit risk will impact the fair value and is likely to increase unrealized losses in the consolidated statement of comprehensive income. Loans issued to brokers are classified as amortized cost under IFRS 9 where changes to a loan's credit risk are captured in the expected credit loss provision as described in Note 5.

ii. Receivables from brokers and policyholders

The Company is exposed to credit risk relating to amounts due from brokers and policyholders, these receivables are included in the measurement of the LRC. Where receivables are overdue or there is significant uncertainty as to whether the Company will collect the receivables, the Company adjusts the LRC such that it includes only amounts that the Company expects to collect. These adjustments to the LRC are presented in insurance revenue in the consolidated statement of comprehensive income.

iii. Reinsurance recoverable and receivables

Credit exposure on the Company's reinsurance recoverable and receivable balances exists at December 31, 2023 to the extent that any reinsurer may not be able or willing to reimburse the Company under the terms of the relevant reinsurance arrangements. The Company has policies that limit its exposure to individual reinsurers and a regular review process to assess the creditworthiness of reinsurers with whom it transacts business.

All of the reinsurers participating in the 2023 treaty were rated A or better based on Standard & Poor's and/or AM Best credit ratings. For the year ended December 31, 2023, the Company has a provision related to credit loss with respect to reinsurance recoverable of \$1,204,000 [2022 - \$1,340,000] presented within reinsurance contract assets.

[c] Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet financial commitments and policy obligations as they fall due, without raising funds at unfavourable rates or selling assets on a forced basis.

The liquidity requirements of the Company's business have been met primarily by funds generated from operations, asset maturities and income and other returns received on securities. Cash provided from these sources is used primarily for claims and claim adjustment expense payments and operating expenses. The timing and amount of catastrophe claims are inherently unpredictable and may create increased liquidity requirements. To reduce the liquidity risk in such an event, the Company maintains a diversified policyholder base from a risk and geographical standpoint.

The Company also holds a portion of invested assets in liquid securities. At December 31, 2023, the Company has \$347,225,000 [2022 - \$340,599,000] of cash and \$3,932,000 [2022 - \$7,152,000] of short-term investments. In addition, the Company has a line of credit available in the amount of \$5,000,000 [2022 - \$5,000,000]. The Company carefully manages the composition and duration of its fixed income portfolio, with a significant portion of the portfolio being short-term in nature.

The table below summarizes the fair value by the earliest contractual maturity of the Company's bond and commercial mortgage investments.

Years to maturity	<1 \$	1 - 5 \$	6-10 \$	> 10 \$	Total \$
As at December 31, 2023	14,770	333,788	70,913	12,765	432,236
As at December 31, 2022	46,988	224,790	57,296	13,488	342,562

The following table shows the expected payout pattern of the Company's liability for incurred claims:

Years to maturity	<1 \$	1 - 2 \$	2 - 3 \$	3 - 4 \$	4 - 5 \$	5 - 10 \$	Total \$
As at December 31, 2023	280,145	111,405	75,189	52,231	36,041	55,674	610,685
As at December 31, 2022	255,361	97,432	70,616	46,814	31,456	44,621	546,301

The following table shows the expected payout pattern of the Company's asset for incurred claims:

Years to maturity	<1 \$	1 - 2 \$	2 - 3 \$	3 - 4 \$	4 - 5 \$	5 - 10 \$	Total \$
As at December 31, 2023	22,720	4,719	1,174	626	441	766	30,447
As at December 31, 2022	25,522	3,875	3,309	1,059	487	581	34,832

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

i. Interest rate risk

Fluctuations in interest rates have a direct impact on the market valuation of the Company's fixed income securities portfolio and liability values. Short-term interest rate fluctuations will generally create unrealized gains or losses. Generally, the Company's interest and dividend investment income will be reduced during sustained periods of lower interest rates and will likely result in unrealized gains in the value of fixed income securities the Company continues to hold, as well as realized gains to the extent the relevant securities are sold.

During periods of rising interest rates, the market value of the Company's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced or result in unrealized or realized losses.

The liability for incurred claims and asset for incurred claims are discounted using a yield curve that is based on a market risk free interest rate plus an illiquidity premium. Fluctuations in yield curve will impact the carrying value of the liability for incurred claims, the asset for incurred claims and the fair value of the financial assets backing claims liabilities. To the extent that the duration of the liabilities and the duration of the supporting assets are mismatched, there is a potential for a change in the discount rate to have a favourable or unfavourable impact on net income. Further, discount rate movements may have a differing magnitudes of impact on the LIC and AIC as it has on the supporting assets causing a favourable or unfavorable impact on net income.

As at December 31, 2023, management estimates that a 1% increase in interest rates would decrease the market value of the fixed income securities by \$11,711,436 [2022 - \$7,855,131], representing 2.35% [2022 - 2.29%] of the \$498,186,828 [2022 - \$342,650,000] fair value fixed income securities portfolio. Conversely, a 1% decrease in interest rates would increase the fair value of the fixed income securities by approximately the same amount.

A sensitivity analysis of the impact to the asset for incurred claims and the liability for incurred claims of a 1% change in the yield curve across all years is as follows:

As at December 31, 2023	1% Increase \$	1% Decrease \$
Increase (decrease) to asset for incurred claims	(396)	412
Increase (decrease) to liability for incurred claims	(10,760)	11,277
Net increase (decrease)	(10,364)	10,865
Estimated impact of taxes	(2,750)	2,883
Increase (decrease) to profit and equity	(7,614)	7,982

As at December 31, 2022	1% Increase \$	1% Decrease \$
Increase (decrease) to asset for incurred claims	(352)	365
Increase (decrease) to liability for incurred claims	(9,243)	9,679
Net increase (decrease)	(8,891)	9,314
Estimated impact of taxes	(2,359)	2,471
Increase (decrease) to profit and equity	(6,532)	6,843

ii. Equity market fluctuation risk

Fluctuations in the value of equity securities affect the level and timing of recognition of gains and losses on securities held, and cause changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and, consequently, the value of the equity securities the Company owns.

To mitigate these risks, the Company has an investment policy that is approved by the investment committee. The policy outlines limits for each type of investment, and compliance with the policy is closely monitored. The Company manages market risk through asset class diversification, policies to limit and monitor its individual issuers and aggregate equity exposure.

Management estimates that a 10% increase in equity markets, with all other variables held constant, would increase investment income by \$2,062,721 [2022 - \$9,434,900]. A 10% decrease in equity prices would have the corresponding opposite effect, lowering investment income by the same amount. Stocks including preferred shares comprise 2.26% [2022 - 10.68%] of the fair value of the Company's total investments.

iii. Foreign exchange risk

Foreign exchange risk is the possibility that changes in exchange rates produce an unintended effect on earnings and equity when measured in domestic currency. This risk is larger when assets backing liabilities are payable in one currency and are invested in financial instruments of another currency. The Company manages foreign exchange risk by largely holding assets in the same currency as its liabilities [Canadian dollars], limiting its exposure of foreign assets to a maximum of 10% of the total investment portfolio, and using derivatives where applicable (see below).

iv. Derivatives risk

Risks associated with investments in derivative securities include market risk, liquidity risk and credit risk.

The company uses currency exchange derivatives to hedge the USD currency exposure in a foreign credit bond portfolio. At December 31, 2023 the derivative was valued at \$1,093,000 [2022 - \$142,000] and was for a notional value of USD \$33,091,000 [2022 - \$29,674,000].

17. Related party transactions

Key management personnel comprise all members of the Board of Directors and Officers with responsibility for planning, directing and controlling the activities of the Company.

The compensation of key management personnel is as follows:

As at December 31, 2022	2023 \$	2022 \$
Salaries and other short-term employee benefits	7,068	6,514
Bonus awards	3,254	4,064
Pension benefits	662	741
	10,984	11,319

18. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

19. Sale of broker investment

On August 1, 2022 Gore Mutual Insurance Company entered a share purchase agreement for our wholly-owned subsidiary, Insurance Store Holdings Inc. [the "Holdco"] to sell 90% of its shares of Insurance Store Inc. ["ISI"] in exchange for \$53,770,000 (including adjustments for cash and working capital), of which \$52,245,000 has been received. ISI is an insurance brokerage operating in Ontario, Canada that sells insurance contracts of the Company and of other carriers. The sale of ISI represents a loss of control and the assets and liabilities of ISI have been derecognized from the consolidated statement of financial position effective August 1, 2022.

The company consolidated the revenue, expenses and profit of ISI earned prior to the sale. The company continues to consolidate the assets, liabilities and income of the Holdco. Any intercompany transactions are eliminated.

The remaining 10% ownership retained in ISI is classified as "other investments carried at cost" and was remeasured to its fair value of \$5,916,000 with a gain of \$2,231,000 (after tax \$1,640,000) recorded upon remeasurement. The company recorded a gain of \$17,696,000 (after tax \$13,840,000) from the sale of ISI which includes the revaluation gain on the 10% interest retained in ISI. Both the revaluation gain and the gain on sale were recorded in 2022.

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