140th Annual Report, 2023

Portage Mutual Insurance®

Facing the storm with you

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Our Vision, Our Mission, Our Values

Our Vision

To be the most trusted mutual insurer in Canada

Our Vision is to achieve sustained, strategic growth enabled by our investments in people and an agile culture.

Our trusted partnerships with brokers, pricing excellence, and customer-driven innovation will make us the insurer of choice in our markets.

We will remain committed to brokers and committed to our communities.

Our Mission

To provide peace of mind

Portage Mutual Insurance provides quality insurance products and services with exceptional value, powered by passionate people. Our mission is protection and peace of mind for policyholders – promises we keep in partnership with brokers.

Our Values

Integrity	Since 1884, we have held a principled dedication to honesty and the highest standard of ethics.
Mutuality	We believe deeply in our moral obligation to value and support the well-being of our policyholders, our team and our communities.
Peace of Mind	We value the trust of our policyholders and partners. Portage Mutual is committed to protecting their financial security.
Progressive	We are passionate about our business, seeking excellence today and preparing for a dynamic future.
Reliability	Our financial strength ensures stability and is a commitment to being an insurer our policyholders and partners can rely on.

About Us

We've been around a *long* time. We're not just closely tied to the communities we serve. We've faced adversity alongside them since the very beginning.

Portage Mutual Insurance was formed all the way back in 1884 based on the principles of security, integrity, hard work, and personalized service. Over the years, we've made a lot of changes. We've expanded our products and services and built a reputation as one of the most responsive property and casualty (P&C) insurers in Canada. But the principles that guide our company, and the friendly, small town style of doing business, remain the same.

We offer a wide range of insurance products that, in many cases, have helped set the industry standards for residential, automobile, commercial, and agricultural business coverage.

We serve over 156,000 policyholders and take pride in giving thoughtful, personalized service on each and every claim, earning us top ratings for claims service.

We market our products through over 275 independent insurance brokers and more than 700 points of distribution. These professionals are handpicked for their commitment to excellence. We believe this partnership approach results in better service and value for our policyholders. Local, independent brokers know their communities and can help customers select the insurance coverage that best suits their needs.

We're proud to be a 100% Canadian-owned company. Prudent management of our investment portfolio over the years has helped to ensure our financial integrity and protect our policyholders' interests. We've weathered the test of time and as a result, we've come out stronger than ever.

Represented in our corporate logo is the bison, a prairie icon promoting our Manitoba roots through all of our offices across Canada. It's a fact that bison are heavily armoured against the elements and will stand facing the wind and even walk into oncoming storms. It's no wonder this majestic animal has been a part of our identity in one form or another since the beginning. In the combination of our logo and our company tagline *Facing the storm with you,* you'll find no better metaphor to describe a company whose purpose is to take on risk and protect people.

> **We are proud to be a 100% Canadian-owned company.**

Message from the Chair

Embracing Change and Innovation for a Sustainable Future

The Board is pleased with the performance of Portage Mutual in 2023 despite being faced with continued catastrophic (exceeding $5,000,000 per occurrence) wildfire, flood, and weather-related losses. Although better than 2022, these events resulted in an underwriting loss higher than budgeted. Despite this, however, the Company remains well capitalized with a strong minimum capital test (MCT) of 312% allowing the Company to continue to grow and invest in its future.

Speaking of growth, the Company reached a new milestone in 2023 exceeding $300 million in gross written premiums for the first time. One of the goals of our current strategic plan is sustained, strategic growth and I am pleased to report that our growth, both in gross premiums and policy count, exceeded the targets set out in our 2023 business plan. As a pan-Canadian insurer, both the Board and Senior Leadership Team agree that gaining scale is important to our future in the Canadian insurance marketplace. To that end, an additional emphasis on growth as a corporate strategy has been added to our 2024 business plan.

Portage Mutual began its current long-term strategic plan on January 1, 2023 and I am pleased to report that our Senior Leadership Team has been working very hard to implement the various goals and objectives of the plan while providing the Board with detailed quarterly progress reports. We can't rest on our laurels, however, as new business models, trends, and technologies like artificial intelligence are continually arising which present additional risks and opportunities. To ensure that we are staying on top of these changes, the Board and Senior Leadership Team reserve the first part of every Board meeting agenda for strategic discussion to see if any adjustments to our strategy are required.

In 2023, rising regulatory, financial, reputational, and operational risks resulted in the addition of the following to our strategy:

- Environmental, social, and governance (ESG) considerations including equity, diversity, and inclusion (EDI);
- Accelerated growth strategies to mitigate the risk related to the rapid increase in both broker and insurer consolidation;
- Changing how we address policyholders by referring to them as members; and
- Additional governance and operational strategies related to the recent developments in computational and generative artificial intelligence to ensure that these technological risks are managed appropriately and that we are taking advantage of any business opportunities presented.

In addition to their work on strategic objectives and day-to-day operations, our finance team has been extremely busy with converting our financial reporting format from the International Financial Reporting

Message from the Chair

Standard (IFRS) 4 to IFRS 17. This new reporting format is significantly different and has taken an extraordinary amount of the finance department's time and efforts to make the conversion. As well, our IT department continues their considerable efforts on the conversion of our Legacy IT system to the new industry-standard Guidewire system.

Wayne Wyborn has completed his first year as our President and CEO and the Board has confidence in both his leadership and that of his team. We appreciate their hard work in the operation of the Company while also executing on our strategic plan to ensure our future relevance and success.

Board renewal and diversity continue to be a key focus for the Board and the Governance and Conduct Review Committee. Our director succession planning process strives to ensure that we always have the optimal representation of skills, experience, and expertise on the Board to help serve Portage Mutual's and our stakeholders' best interests. Information Technology and Finance / Accounting skills and experience were previously identified as key focus areas for new potential directors. To that end, we are pleased to newly nominate Mr. Wadood Ibrahim and Ms. BJ Reid for election to the Board of Directors. Mr. Ibrahim will provide our Board with skills and experience in information technology and business management while Ms. Reid will provide our Board with skills and experience in finance / accounting and investments.

Doug Simpson has chaired our Audit Committee for many years and was particularly involved in the 2023 audit process given the conversion to the new IFRS 17 reporting format. This format was not only new to Portage Mutual, but also to our professional advisers who were dealing with the complexities of this financial reporting format for the first time. Doug was instrumental in coordinating all the moving parts of the 2023 year-end audit and we appreciate his efforts. He will be retiring as the Audit Committee Chair following this meeting but will be remaining as a director. I am pleased to advise that Brita Chell has agreed to chair the Audit Committee going forward and we are looking forward to her new leadership role on this important Committee.

After serving on the Board for 12 years, Paul Goodman has reached his maximum term limit and will retire following the Meeting. Mr. Goodman brought over 25 years of property and casualty insurance financial experience to the Board and has served principally on the Audit Committee. In addition to the Audit Committee, Paul served on several other Committees and chaired the Risk Committee from 2016 to 2021. We thank him for the considerable contributions he made as a director of Portage Mutual.

Your Board of Directors continues to ensure that our governance principles and practices are providing the appropriate level of oversight, advice and guidance to our operational team while respecting our fiduciary responsibilities to our policyholders, employees, and key business partners. My appreciation goes out to all my Board colleagues for their hard work and dedication in always acting in the best interests of Portage Mutual. They continue to provide a solid governance foundation for the Company's future.

> **“…the Company remains well capitalized with a strong mininum capital test…**

Lastly, thank you to our employees for your hard work, our broker partners for your continued support, and our policyholders for placing your continued trust in Portage Mutual. We would not be successful without you.

Brent Gilbert, *B.ED, CCIB, ICD.D*
Chair, Board of Directors
February 26, 2024

Message from the CEO

2023 was another challenging one for our Company.

Catastrophe losses, once again, took centre stage as we dealt with the three-fold impact of wildfires, flooding and severe convective storms. There were no safe havens as every region of the country was impacted. It is becoming clearer every year that climate change is having an impact on the size and power of storms that continue to impact our policyholders and ultimately our results. We will continue to focus on protecting our policyholders by managing our capital well and ensuring we are here when we are needed.

> **"We will continue to focus on protecting our policyholders…**

Financial Summary

Premiums written:	$305,818
Insurance service result:	$(160)
Net investment return:	$26,678
Net after tax loss:	$(628)
Earned surplus:	$223,825
Minimum Capital Test:	312%

Our Legacy Computer System Replacement Journey

We started our legacy computer system replacement journey back in 2018 beginning with Guidewire Claims. In 2023, we hit a major milestone with the conversion of all of our policies to our Guidewire's Policy and Billing systems. It wasn't without its challenges and our service levels to our members and brokers was not to the level that we strive for. Getting our service levels back to where they should be is a corporate priority for 2024. We look forward to the efficiencies and improved customer service that the new system will bring going forward, but our journey is not complete yet!

In Q1 of 2024, we will go live with our new accounting, statistical, and regulatory reporting system. In addition, we will kick-off our final legacy computer system replacement project with the development of "Direct Connect" for our broker partners to replace our existing broker portal.

Strategy

2023 was the first year of our current strategic plan which is focused on three main areas: our people, our brokers, and the data and analytics that are needed to provide fair pricing and excellent service.

In 2023, our focus was on implementing a new, more equitable Performance Management System, and a formal Short-term incentive plan for our staff. These changes will enable us to both reward our existing staff and attract new talent to help us compete in this fast-changing environment that we work in.

Brokers continue to be our sole product distribution arm. We will continue to focus our resources on sup-

Message from the CEO

porting brokers through better communications and electronic document sharing. Our new Direct Connect project to replace our Broker Portal will ultimately make it easier and more efficient for our brokers to do business with us.

Making data-driven decisions has been a core philosophy at Portage Mutual Insurance in recent years. The use of data analytics allows us to make more informed and accurate rating decisions, which helps us better manage risk and protect policyholders' financial interests. To this end, we continue to invest in an actuarial team who can spearhead new analytics initiatives, whilst also providing empirical evidence to assist in informing our day-to-day business decisions.

> **"...will ultimately make it easier and more efficient for our brokers to do business with us.**

We will continue to focus on leveraging data and analytics to provide better service to our policyholders, mitigate losses and drive operational efficiency. By embracing data-driven approaches, Portage Mutual Insurance is demonstrating its commitment to providing its policyholders with the best possible products and services.

Our strategic plan has been thoroughly considered with appropriate risk management, and will build on the company's strengths. Our commitment to our policyholders', employees, brokers, and the communities in which we work, live and play remains unwavering.

A special thank you to our dedicated team of employees and our Board of Directors. Your dedication and commitment to the Company and our members continue to drive the success of Portage Mutual Insurance.

To our policyholders, thank you for your trust in us. We look forward to serving you in 2024.

Wayne Wyborn, *FCIP, CRM, PFMM, ICD.D*
President and CEO
February 26, 2024

Board of Directors

Brita Chell, *B.COMM(HONS), FCPA, FCA, ICD.D*

Craig Dunn

Karl Gerrand, *B.SC, ICD.D*

Brent Gilbert, *B.ED, CCIB, ICD.D*

Paul Goodman, *CPA, CA*

Clarke Munro, *ICD.D*

Cathy Rolland, *MBA, CFA, ICD.D*

Alice Sayant, *MBA, ICD.D*

Doug Simpson, *CPA, CA*

Wayne Wyborn, *FCIP, CRM, PFMM, ICD.D*

Senior Leadership Team

Wayne Wyborn, *FCIP, CRM, PFMM, ICD.D*

President and CEO

Wayne started his career with Portage Mutual in 1986 and has enjoyed various roles in the organization including Branch Manager, VP Underwriting, and Vice President & Chief Operating Officer. On January 1, 2023, he became the President and CEO.

Wayne has a diploma in Business Administration, is a Fellow of the Insurance Institute of Canada, has a risk management designation from the Risk Management Society of Canada, a Professional Farm Mutual Manager designation from the National Association of Mutual Insurance Companies, and an ICD.D designation from the Institute of Corporate Directors.

Wayne was elected as a Director of the Canadian Association of Mutual Insurance Companies (CAMIC) in October 2018 and is currently serving as its Board Chair. He is also a Director for Portage Mutual Financial Inc.

Wayne has been married to his wife, Edina for 29 years. They have one son, Cole.

Amber Anseeuw, *FCAS, FCIA*
Corporate Actuary

Amber leads the actuaries at Portage Mutual. She is on the Portage Mutual Pension Committee and is a member of the Actuarial Mathematics Program Advisory Board at the University of Manitoba.

Jeff Bhamra, *B.COMM(HONS), CPA, CGA*
Chief Risk Officer, Chief Compliance Officer

Jeff joined Portage Mutual in 2010, working in accounting and internal audit prior to his current position. Jeff holds a Masters Certificate in Risk Management and Business Performance from York University.

Cara Cameron, *CPA, CA, FCIP*
Chief Future of Work

Cara is a human resource and strategic executive with over 15 years of experience in the insurance industry and is leading the Company's people-first strategy.

Senior Leadership Team

Jean Gauvreau, *CIP*
Vice-President, Underwriting and Bus. Dev.

As a seasoned insurance professional, Jean joined Portage Mutual in 2020. He is focused on strategic development, continuous improvement and delivery of service to our broker partners.

Jason Hannah, *CPA, CGA, MBA, ICD.D*
Treasurer and CFO

Jason has been with Portage Mutual since 2002 and is currently responsible for treasury and investments, financial accounting and reporting, taxation, and regulatory/legislative matters.

Jennifer Spicer, *MBA, CPA, CMA, CIP*
Director of Internal Audit

With 10 years prior experience in the mutual insurance industry, Jennifer joined Portage Mutual in November 2021 and leads the internal audit team.

Eric Thorsteinson, *CCP, MBA*
Chief Technology Officer

Eric started his career with Portage Mutual in 1997 and has been instrumental in the operational and strategic planning of the IT roadmap. Since 2018, Eric has been leading the legacy system transformation.

Kim Tkachuk, *B.SC(AG), CPA, CA*
Accounting Manager

Kim started her career in insurance when she joined Portage Mutual in 2017. Along with working on community boards as treasurer, Kim operates her family farm with her husband and sons.

Kevin Wilson, *B.COMM, FCIP*
Vice-President, Claims

Kevin began his insurance career in 1997, joining Portage Mutual in 2022. Kevin is currently the president of the Canadian Insurance Claims Managers Association.

Corporate

HEAD OFFICE

Portage la Prairie, Manitoba
749 Saskatchewan Avenue E

Corporate

J. Bhamra, *B.COMM(HONS), CPA, CGA*
Corporate Secretary

D. Borodenko, *BA, CIP, CRM*
Director of Corporate Underwriting and Loss Prevention

K. Fay
Director of Actuarial Valuation

C. Hourie, *B.ENG*
Director, IT Project Delivery

J. Kohlenberg, *MBA, PMP, CSM*
Director of IT Operations

J. Kunzelman
Director of Information Technology

W. Li, *B.SC (HONS), B.SC*
Director of Actuarial Pricing

A. Mitchell, *FCIP, CRM*
Director of Customer and Broker Experience

R. Owens, *BA(ADV), FCIP, CRM, CAIB(HONS)*
Director of Marketing, Brand, and Sales

REGIONAL OFFICES

Western Canada

Edmonton, Alberta
310–12220 Stony Plain Road NW

J. Hunt, *CIP*
Regional Manager

K. Perez, *CIP*
Regional Claims Manager

Prairies

Portage la Prairie, Manitoba
749 Saskatchewan Avenue E

B. Mooney, *FCIP*
Regional Manager

M. Tarr, *CIP*
Regional Claims Manager

Ontario

St. Catharines, Ontario
201–25 Corporate Park Drive

P. DiTullio, *CIP, CRM*
Regional Manager

C. Lawson, *FCIP, CRM*
Regional Claims Manager

R. Aniballi, *CIP*
Business Development Manager

Atlantic

Halifax, Nova Scotia
224–1595 Bedford Highway

B. Houlihan, *B.COMM, M.ED, FCIP, CRM*
Regional Manager

C. Geddes, *CIP*
Regional Claims Manager

J. Landymore, *ACIP, CRM*
Marketing Manager

SERVICE OFFICES

Winnipeg, Manitoba
103–1661 Portage Avenue

We're Comfortable Being a Mutual

Locally minded

We're not just closely tied to the communities we serve. We're a part of them. We're your friends and neighbours. As such, we know that your home and your business aren't just buildings. They're a collection of your prized possessions, cherished memories, and hard earned achievements. That's why we offer a wide range of home, business, and farm products tailored to your life so you can go about the business of living it with peace of mind.

Although we're a national company, we believe insurance is a local matter, which is why we sell our products exclusively through over 300 professional insurance brokerages across Canada. We truly feel that a local broker's professional guidance is your best resource when shopping for insurance and we're committed to safeguarding this resource so you continue to have the best options at your disposal.

Facing the storm with you

Mutually inclusive

Being mutual means we exist solely to meet the needs of our policyholders, not shareholders, which makes us uniquely focused on our customers. We focus on a long term view of our customers and their needs, not on the quarterly bottom line.

In keeping with a mutual frame of mind, our employees care about what is happening in the communities in which they operate and we regularly see multiple staff volunteer commitments in support of various charities across Canada. On top of that, we provide annual donations to over 150 organizations across the nation, many in cooperation with our broker partners who have a pulse on the needs of their respective communities.

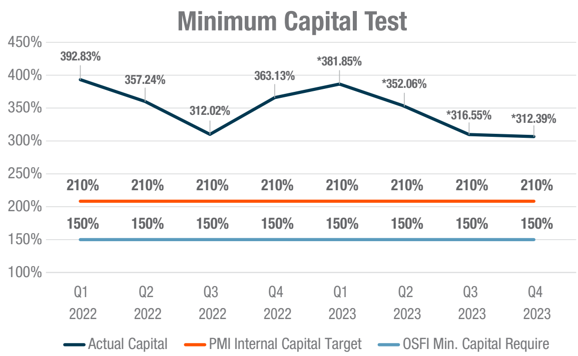
We're your friends and neighbours and we're all in this together. That's what being mutual is all about.

Financially sound

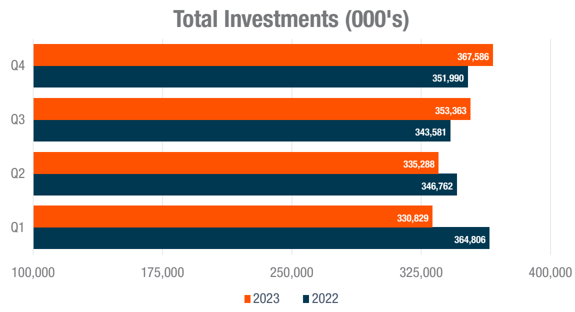
As a national company, we're regulated by the Office of the Superintendent of Financial Institutions (OSFI). They ensure that companies maintain certain performance standards. We're proud to say that we're well above the Canadian P&C required rating as prescribed by OSFI and we're even well above the industry average. The Company has the added protection of achieving a great spread of risk, which further helps to maintain financial stability even in heavy loss years.

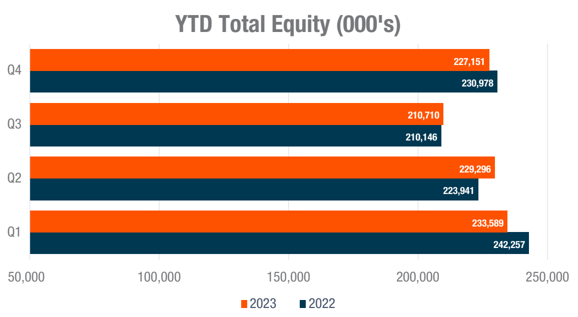
What this means is that if disaster strikes, you can rest assured that we have the resources to keep you covered and you can expect fast and fair claims service to help you put that special place back together. This is something you'd expect from a company that's been doing this since 1884.

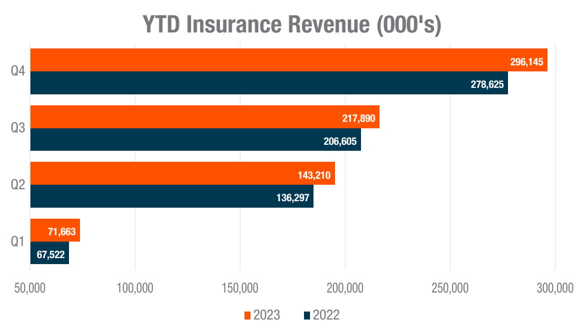
Financial Highlights



*2023 MCT reported under IFRS 17 versus IFRS 4 for all prior comparatives

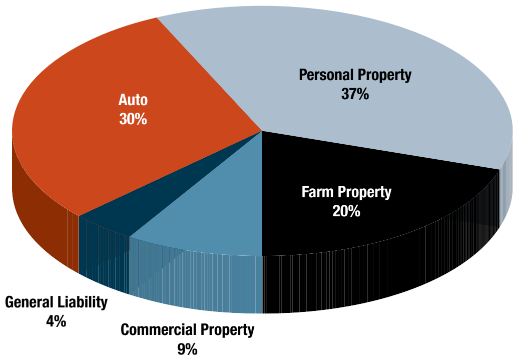




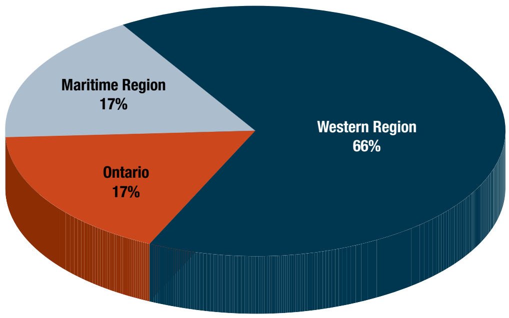


Financial Highlights

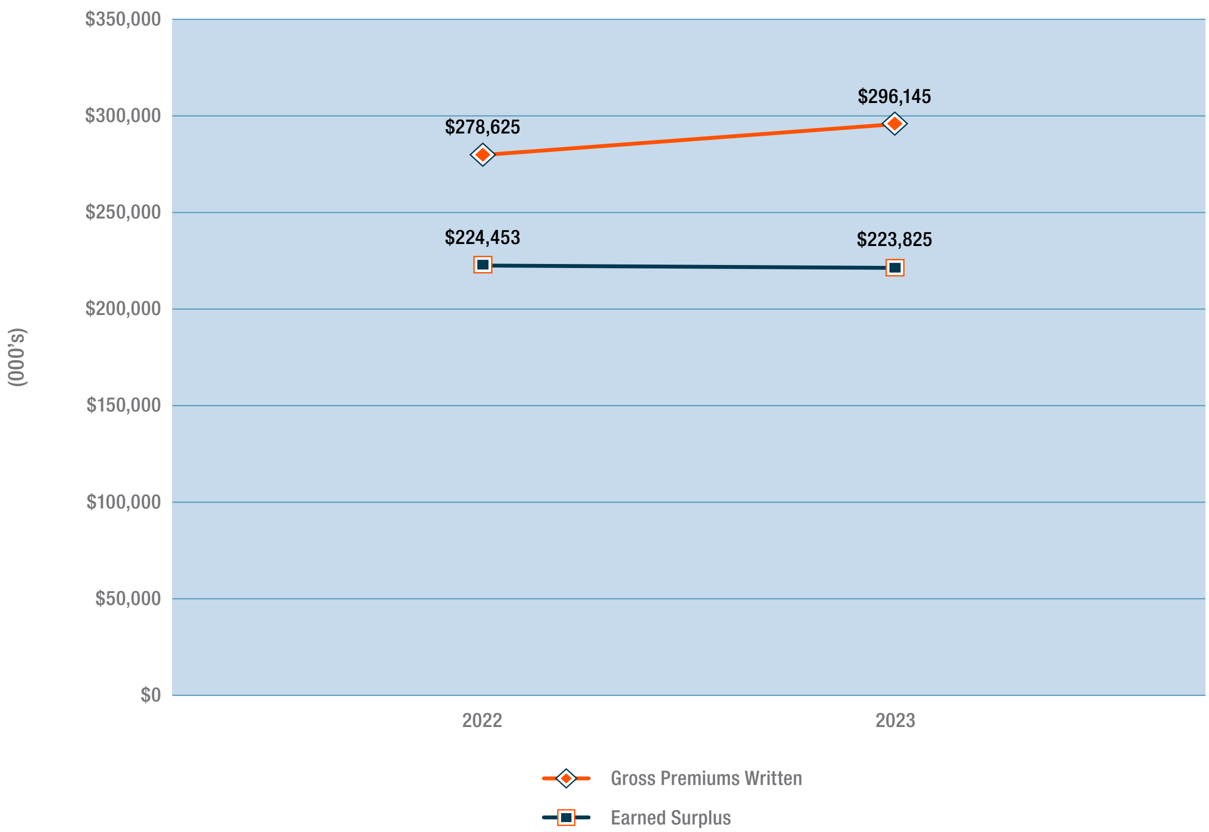
2023 Insurance Revenue by Line of Business



2023 Insurance Revenue by Region



Gross Premiums & Earned Surplus By Year



Independent Auditor's Report

To the Policyholders of The Portage la Prairie Mutual Insurance Company:

Opinion

We have audited the consolidated financial statements of The Portage la Prairie Mutual Insurance Company (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of comprehensive income (loss) for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Emphasis of Matter – Changes in Accounting Policies and Comparative Information

We draw your attention to Note 3 to the financial statements, which explains the adjustment of equity as at January 1, 2022 as a result of a full retrospective adoption of a change in accounting policy with cumulative impact with respect to IFRS 9.

We also draw attention to Note 3 to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 17:

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

Notes 3 explains the reason for the adjustments.

Our opinion is not modified in respect of these matters.

Other Matter – Changes in Accounting Policies and Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we audited the adjustments that were applied to equity as at January 1, 2023.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable,

Independent Auditor's Report

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG *LLP*
Chartered Professional Accountants
Winnipeg, Canada
February 26, 2024

Appointed Actuary's Report

To the Policyholders of The Portage la Prairie Mutual Insurance Company:

I have valued the policy liabilities of The Portage la Prairie Mutual Insurance Company for its financial statements prepared in accordance with International Financial Reporting Standards for the year end 31 December 2023.

In my opinion, the amount of the 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.

Mylène Labelle
Fellow, Canadian Institute of Actuaries
Toronto, Ontario
26 February 2024

Consolidated Statement of Financial Position

As at December 31, 2023, with restated comparative information for 2022

In thousands of dollars	**Dec 31, 2023**	**Dec 31, 2022** *(restated)*	**Jan 1, 2022** *(restated)*
Assets			
Cash and cash equivalents	$ 11,071	$ 7,326	$ 22,134
Prepaid expenses	525	615	215
Investment income due and accrued	2,316	2,732	2,109
Investments *(note 5)*	367,586	351,990	375,658
Income taxes recoverable	3,564	26,445	104
Reinsurance contract assets *(note 10)*	49,593	52,864	31,837
Investments in associates *(note 5)*	22,996	21,227	19,785
Deferred income taxes *(note 16)*	-	-	1,615
Accrued pension asset *(note 8)*	3,444	7,027	-
Intangible assets *(note 7)*	24,411	21,940	20,069
Property and equipment *(note 6 and note 15)*	6,314	6,327	6,584
Total assets	**$ 491,820**	**$ 498,493**	**$ 480,110**
Liabilities and equity			
Liabilities:			
Other liabilities	$ 5,134	$ 4,187	$ 5,208
Amounts due to facility association	1,985	2,021	4,571
Income taxes payable	-	-	5,349
Insurance contract liabilities *(note 9)*	250,746	254,519	214,152
Pension plan liability *(note 8)*	-	-	4,835
Post-employment benefit liabilities	2,159	1,791	2,283
Deferred income taxes *(note 16)*	4,645	4,997	-
Total liabilities	264,669	267,515	236,398
Equity:			
Earned surplus	223,825	224,453	245,926
Accumulated other comprehensive income (loss)	3,326	6,525	(2,214)
Total equity	227,151	230,978	243,712
Total liabilities and equity	**$ 491,820**	**$ 498,493**	**$ 480,110**

Commitments and contingencies *(note 18)*

On behalf of the Board:

Brent Gilbert, ***B.ED, ICD.D***
Wayne Wyborn, ***FCIP, CRM, PFMM, ICD.D***

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income (loss)

Year ended December 31, 2023, with restated comparative information for 2022

In thousands of dollars	**2023**	**2022** *(restated)*
Insurance revenue	$ 296,145	$ 278,625
Insurance service expenses	282,810	290,521
Insurance service result before reinsurance contracts held	13,335	(11,896)
Net (expenses) recoveries from reinsurance contracts held	(13,495)	14,349
Insurance service result *(note 11)*	(160)	2,453
Net investment income	7,972	11,150
Net gains (losses) on investment portfolio	18,706	(31,246)
Net investment return	26,678	(20,096)
Finance income (expense) from insurance contracts issued *(note 14)*	(8,224)	9,970
Finance income (expense) from reinsurance contracts held *(note 14)*	1,569	(1,714)
Net insurance financial result	(6,655)	8,256
Other (expenses) income	(23,899)	(22,951)
Share of profit from investments in associates *(note 5)*	1,769	1,442
Income (loss) before income taxes	(2,267)	(30,896)
Income tax expense (recovery) *(note 16)*	(1,639)	(9,423)
Net income (loss)	**$ (628)**	**$ (21,473)**
Other comprehensive income (loss), net of taxes:		
Items that will not be reclassified subsequently to net income:		
Actuarial gains (losses) on pension plan	(3,002)	8,300
Actuarial gains (losses) on post-employment benefit	(197)	439
Total other comprehensive income (loss)	(3,199)	8,739
Total comprehensive income (loss)	**$ (3,827)**	**$ (12,734)**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended December 31, 2023, with restated comparative information for 2022

In thousands of dollars	Earned surplus	Accumulated other comprehensive income (loss)	Total equity
IFRS 4 Balance as at Jan 1, 2022	$ 242,960	$ (399)	$ 242,561
Adjustments for IFRS 9	1,815	(1,815)	-
Adjustments for IFRS 17	1,151	-	1,151
IFRS 9/17 Balance as at Jan 1, 2022 (restated)	$ 245,926	$ (2,214)	$ 243,712
Net income (loss)	(21,473)	-	(21,473)
Actuarial gains (losses) on pension and employee benefits	-	8,739	8,739
IFRS 9/17 Balance as at Dec 31, 2022 (restated)	$ 224,453	$ 6,525	$ 230,978
Net income (loss)	(628)	-	(628)
Actuarial gains (losses) on pension and employee benefits	-	(3,199)	(3,199)
IFRS 9/17 Balance as at Dec 31, 2023	**$ 223,825**	**$ 3,326**	**$ 227,151**

Accumulated other comprehensive income (loss) is composed of actuarial gains (losses) on pension and employee benefits net of income taxes (recovery) of $1,167 ($2,280 at December 31, 2022).

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2023, with restated comparative information for 2022

In thousands of dollars	**2023**	**2022** *(restated)*
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ (628)	$ (21,473)
Items not involving cash:		
Amortization of bond premiums	2,312	6,312
Depreciation on property and equipment	932	889
Amortization on intangible assets	2,734	2,228
Deferred income taxes	(352)	6,612
Change in unrealized loss (gain) on fair value through profit or loss financial assets	(18,742)	31,310
Change in non-cash balances relating to operations:		
Insurance contract liabilities	(3,773)	40,367
Reinsurance contract assets	3,271	(21,027)
Prepaid expenses	90	(400)
Other liabilities	947	(1,021)
Amounts due to facility association	(36)	(2,550)
Pension plan liabilities	3,583	(11,862)
Post employment benefit liabilities	368	(492)
Gain (loss) on pension plan recognized in OCI	(3,199)	8.739
Income taxes recoverable (payable)	22,881	(31,690)
Net cash provided by (used in) operating activities	10,388	5,942
Investing activities:		
Purchase of property and equipment	(948)	(632)
Purchase of other assets	(5,205)	(4,099)
Purchase of investments	(160,498)	(118,585)
Change in investments in associates	(1,769)	(1,442)
Investment income due and accrued	416	(623)
Proceeds from the sale of property and equipment	29	-
Proceeds on disposal of investments	161,332	104,631
Net cash provided by (used in) investing activities	(6,643)	(20,750)
Increase (decrease) in cash during the year	3,745	(14,808)
Cash and cash equivalents, beginning of year	7,326	22,134
Cash and cash equivalents, end of year	**$ 11,071**	**$ 7,326**
Cash and cash equivalents is comprised of:		
Cash in bank	$ 7,389	$ 4,814
Cash equivalents	3,682	2,512
Cash and cash equivalents, end of year	**$ 11,071**	**$ 7,326**

See accompanying notes to consolidated financial statements.

1. Reporting organization

The Portage la Prairie Mutual Insurance Company (the “Company”) is domiciled in Canada and the address of the Company’s registered office is 749 Saskatchewan Avenue East, Portage la Prairie, Manitoba. The Company is incorporated under the Insurance Companies Act (Canada) without share capital under the laws of the Government of Canada and its principal business activities include the underwriting of property and casualty insurance. The Company is licensed in all provinces except Quebec. The consolidated financial statements of the Company as at and for the year ended December 31, 2023 comprise the Company and its wholly-owned subsidiary and the Company’s interest in associates.

2. Basis of preparation

(A) STATEMENT OF COMPLIANCE:

The Company’s consolidated financial statements have been prepared in accordance with Section 331(4) of the Insurance Companies Act which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada (OSFI), the consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles (GAAP). IFRS Accounting Standards (IFRS) is Canadian GAAP for publicly accountable enterprises in Canada.

The accounting policies used to prepare these consolidated financial statements are based on IFRS issued by the International Accounting Standards Board (IASB) in effect on February 26, 2024, the same date the Board of Directors approved the statements.

(B) BASIS OF MEASUREMENT:

Presentation of the consolidated financial statements is in Canadian dollars, which is the Company’s functional currency, and figures are rounded to the nearest thousands of dollars unless otherwise indicated. All figures are prepared on the historical cost basis except for the following items in the statement of financial position:

- financial instruments at fair value through profit or loss are measured at fair value (note 4(c))
- the pension plan asset/liability is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation
- insurance contract liabilities measured under PAA in accordance with IFRS 17.

(C) USE OF ESTIMATES AND JUDGEMENTS:

The preparation of these consolidated financial statements in conformity with IFRS requires management of the Company to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent assets and liabilities – actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued)

Information about judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 8 – defined benefit obligation
- Note 13 – liability for incurred claims
- Note 18 – commitments and contingencies.

(D) LIQUIDITY:

The Company presents its consolidated statement of financial position in order of highest to least liquidity. Assets and liabilities expected to be settled or recovered greater than 12 months from the reporting date are detailed under note 22.

3. Adoption of new accounting standards and disclosure of accounting policies

The Company has adopted IFRS 9 and IFRS 17 standards for the annual period beginning January 1, 2023. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39) and IFRS 17 replaces IFRS 4 – Insurance Contracts (IFRS 4). These new standards have had a material effect on the presentation and measurements included in the consolidated financial statements. Changes in classifications resulting from the adoption of IFRS 9 and IFRS 17 were applied using the full retrospective approach including the restatement of prior year comparatives. Impacts of the reclassification were recognized in equity. The nature of the changes in accounting policies resulting from the adoption of IFRS 9 and IFRS 17 are summarized below.

IFRS 9 Financial Instruments (IFRS 9):
On July 24, 2014, the IASB issued the complete IFRS 9 standard (IFRS 9 (2014)), effective for annual periods beginning on or after January 1, 2018. Entities whose business consisted of insurance activities were eligible to apply a temporary exemption to adopt IFRS 9 in conjunction with the adoption of IFRS 17, beginning on or after January 1, 2023. The Company applied the temporary exemption per regulation with OSFI. The standard contains guidance on the following:

I. Classification and measurement
Under IFRS 9, debt instruments are classified as amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification is based on the entity's business model for managing the instrument, the contractual cash flow characteristics of the instrument, or the classification elected by the entity. Equity instruments such as common and preferred shares are classified as FVTPL unless elected as FVOCI by the Company.

The Company has elected to irrevocably classify debt instruments previously classified as available for sale (AFS) under IAS 39, as FVTPL to reduce any accounting mismatches as a result of reporting related amounts under IFRS 17. Preferred equity holdings previously classified as AFS under IAS 39 are mandatorily designated as FVTPL. As fair value changes of all debt and equity instruments are reported in net income under IFRS 9, the application of

3. Adoption of new accounting standards and disclosure of accounting policies (continued)

the expected credit loss model (ECL) for impairment will not apply. Common shares continue to be classified as FVTPL under IFRS 9, which aligns with the classification under IAS 39. Other loans and receivables will continue to be reported at amortized cost with the application of an ECL impairment provision. At the date of transition and annual reporting, the Company does not hold any hedge instruments and therefore changes in hedge accounting under IFRS 9 are not applicable.

The following table identifies the Company's financial instrument 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, 2021 to the balances reported under IFRS 9 as at January 1, 2022 is as follows:

	IAS 39	**IFRS 9**	**IAS 39**		**IFRS 9**
	Classification		Carrying Amount	Reclassifications	Carrying Amount
Cash and cash equivalents	Amortized Cost	Amortized Cost	$ 20,934	$ -	$ 20,934
	AFS		1,200	(1,200)	-
Short-term investments	FVTPL	FVTPL	-	1,200	1,200
	AFS FVOCI		274,172	(274,172)	-
Bonds and debentures	FVTPL	FVTPL	-	274,172	274,172
Bonds and debentures	Amortized Cost	Amortized Cost	1,346	-	1,346
	AFS FVOCI		3,883	(3,883)	-
Preferred shares	FVTPL	FVTPL	-	3,883	3,883
Common shares	AFS FVTPL	FVTPL	91,114	-	91,114
Loans and receivables	Amortized Cost	Amortized Cost	5,143	-	5,143
Total cash and cash equivalents and investments			**$ 397,792**	**$ -**	**$ 397,792**

The Company's classification and measurement of financial instruments is detailed in note 5.

II. Changes to presentation and disclosure

The transition to IFRS 9 has resulted in the movement of the recognition of unrealized gains and losses on debt and preferred equity investments from OCI to net income. Due to the increase in investments designated as FVTPL under IFRS 9, the Company expects additional volatility in net income. Unrealized gains (losses) on investments of $18,706 (($31,247) at December 31, 2022) were recognized in net income.

3. Adoption of new accounting standards and disclosure of accounting policies (continued)

III. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Company has restated the comparative period for the impacts of IFRS 9. At January 1, 2022, the Company's total equity increased by $1,815 due to the following consolidated statement of fincancial position transition items:

As at Jan 1, 2022	IFRS 9
Reclass of unrealized gains (losses) from other comprehensive income to net income:	
Bonds and debentures	$ 1,597
Preferred share equity	218
IFRS 9 transition increase to equity	$ 1,815

IFRS 17 Insurance Contracts (IFRS 17):

In May 2017, the IASB issued IFRS 17 to establish a global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020. IFRS 17 was effective beginning on January 1, 2023 with a transition date of January 1, 2022. This standard has been applied using a full retrospective approach to restate 2022 comparatives. The IASB permitted early adoption of the standard, however early adoption was prohibited for companies federally regulated through OSFI. The standard contains guidance on the following:

I. Changes to classification, recognition and measurement

IFRS 17 is applied to the same scope of contracts previously reported under IFRS 4. IFRS 17 introduces two measurement methodologies that may be applicable to insurance companies – the general model (GM) and the premium allocation approach (PAA). The GM applies to all insurance companies, however, the PAA is a simplified measurement model that can be applied to insurance contracts with a coverage period of one year or less, or where the PAA approximates the GM. The Company has assessed that the insurance contracts issued are eligible to be measured using the PAA methodology. The Company primarily issues insurance contracts with a coverage period of 12 months or less, which automatically qualify for the PAA. The Company has determined that insurance contracts issued with a coverage period greater than 12 months are eligible for measurement using PAA as the liability for remaining coverage does not materially differ than if it was measured under the GM. The measurement principles of the PAA differ from the measurement under IFRS 4 in the following areas:

INSURANCE CONTRACT LIABILITIES

A number of assets and liabilities previously reported under IFRS 4 are now combined into the insurance contract liabilities line on the consolidated statement of financial position as part of IFRS 17. Assets and liabilities consisting of premiums receivable, deferred policy acquisition expenses, unearned premiums, provision for unpaid claims, and a portion of accounts payable, accrued liabilities, and other payable amounts have been blended in the insurance contract liabilities balance. The purpose of the amalgamation is to provide simplification around net liabilities associated with insurance activities. Insurance contract liabilities are then separated into two additional components – liability for remaining coverage (LRC), encompassing premiums and acquisition related expenditures, and liability for incurred claims (LIC), incorporating claims and expenditures associated with fulfilling in force insurance contracts. More detail is provided in notes 9 and 13.

3. Adoption of new accounting standards and disclosure of accounting policies (continued)

ONEROUS CONTRACTS

IFRS 17 requires the identification of groups of onerous contracts when facts and circumstances indicate a loss for PAA contracts. When onerous contracts are identified, the Company is required to recognize a loss immediately in the statement of comprehensive income (loss), known as a "loss component", to appropriately reflect the timing of losses. This results in earlier recognition of losses compared to IFRS 4. The amount of loss from onerous contracts written in a year is a required disclosure. Additional details are explained in note 9.

DISCOUNT RATE

Under IFRS 17, the LIC is discounted to reflect the time value of money and financial risk of estimated future cash flows for incurred claims unless the Company expects claims to be paid in one year or less from the date it was incurred. The methodology for determining the discount rate is not prescribed in the standard, however, the Company's appointed actuary has established a discount yield curve using a risk-free rate adjusted by an illiquidity premium reflective of the cash flow characteristics of the respective insurance contracts. Previously under IFRS 4, claims liabilities were discounted using rates based on the projected investment income from the assets supporting the provisions, adjusted for the estimated timing of payments and recoveries. Further granularity is presented in note 13.

RISK ADJUSTMENT

IFRS 17 requires the application of an explicit risk adjustment for non-financial risk (RA) which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflected the inherent uncertainty in the net discounted claims liabilities estimates, whereas the IFRS 17 RA is the compensation the Company requires for bearing the uncertainty that arises from non-financial risk and its degree of risk aversion. The Company has assessed that a confidence level technique will be utilized to determine the rate to be applied to LIC. IFRS 4 required a risk margin for financial risks (i.e. investment risk) which is not permitted under IFRS 17. Supplementary information is included in note 13.

REINSURANCE CONTRACTS HELD

A number of assets and liabilities associated with reinsurance contracts held that were previously reported under IFRS 4 are now combined into one line on the consolidated statement of financial position under IFRS 17, named reinsurance contract assets. Reinsurance contract assets represents the sum of the asset for remaining coverage (ARC), encompassing premium related expenditures, and asset for incurred claims (AIC), incorporating claims recoveries associated with underlying insurance contracts. Similar to how they are measured under IFRS 4, the Company will apply the PAA method to measure reinsurance contracts held. When measuring the asset for incurred claims under reinsurance contract assets, a risk factor indicating the risk of non-performance of the reinsurer should be assessed and applied at each reporting date to net income. Additional detail is included in note 10.

BUSINESS COMBINATIONS

Claims and ceded claims acquired in a business combination are treated as new insurance contracts issued by the Company at the date of their acquisition. Acquired claims are reclassified as LRC in the insurance contract liabilities line of the acquiring company's consolidated statement of financial position.

3. Adoption of new accounting standards and disclosure of accounting policies (continued)

II. Changes to presentation and disclosures

IFRS 17 introduces changes to the way in which the Company presents and discloses financial results. Results associated with direct insurance business are presented separately from reinsurance related results within the consolidated financial statements. Insurance contract liabilities presented on the consolidated statement of financial position will consist of premiums receivable, unamortized insurance acquisition cash flows, unearned premiums, onerous loss component (if applicable), discounted and risk adjusted claims liabilities, and other related liabilities. Reinsurance contract assets will be separately presented on the consolidated statement of financial position and include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The reclassification of amounts on the consolidated statement of financial position have resulted in a reduction in consolidated assets and liabilities of the Company.

Amounts recognized in the consolidated statement of comprehensive income (loss) are disaggregated into:

- insurance service result, comprising insurance revenue, insurance service expenses, and net expense from reinsurance contracts; and
- insurance finance income or expenses consisting of changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein. This is presented as part of net financial result.

IFRS 4 consolidated statement of comprehensive income (loss) line items related to direct premiums written and earned premiums have been replaced by insurance revenue under IFRS 17. IFRS 17 also resulted in presentation changes to amounts considered as underwriting expenses under IFRS 4. Net claims incurred as presented under IFRS 4 was replaced with gross claims incurred in insurance service expenses. Other insurance related expenses included in insurance service expenses are classified as acquisition cash flows, fulfilment cash flows and the portion of other expenses considered attributable to insurance contracts. Other expenses not considered to be directly attributable to insurance contracts are presented as other expenses on the other income and expense line on the consolidated statement of comprehensive income (loss). The above items will be described further in notes 11 and 14.

III. Transition

On the transition date to IFRS 17 of January 1, 2022, changes in accounting policies resulting from the adoption of the standard were applied using a full retrospective approach as if IFRS 17 had always been applied. The net impacts of the restatement have been recognized in equity.

3. Adoption of new accounting standards and disclosure of accounting policies (continued)

At January 1, 2022, the Company's total equity increased by $1,151 (net of a deferred tax impact of ($441)) due to the following consolidated statement of financial position transition items:

As at Jan 1, 2022	IFRS 17
Change in unearned premiums	$ 4,319
Change in deferred policy acquisition expenses	83
Change in accruals	118
Change in net payables	(500)
Change in unearned ceded commission income	(3,691)
Change in provision for unpaid losses:	
Decrease in net claims reserves	2,058
Discount rate methodology changes	(4,772)
Change in risk margin to risk adjustment	4,943
Onerous contracts	(966)
Deferred tax	(441)
IFRS 17 transition increase to equity	$ 1,151

At January 1, 2022, the impact of IFRS 17 on the Company's consolidated statement of financial position is as follows:

		Impact of IFRS 17		
As at Jan 1, 2022	**IFRS 4**	**Presentation**	**Measurement**	**IFRS 17**
Total assets	$ 593,345	$ (120,585)	$ 7,350	$ 480,110
Total liabilities	$ (350,784)	$ 120,585	$ (6,199)	$ (236,398)
Total equity	$ (242,561)	$ -	$ (1,151)	$ (243,712)

IAS 1 Presentation of Financial Statements: Disclosure of accounting policies (IAS 1):

In February 2021, the IASB issued "Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)", requiring companies to disclose their material accounting policies rather than their significant accounting policies. Effective January 1, 2023, the amendments were implemented and they had no impact to the Company's disclosed accounting policy information.

4. Material accounting policy information

These consolidated financial statements have been prepared with the accounting policies set out below, applied consistently to all periods presented in the consolidated financial statements.

(A) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements of the Company include the wholly-owned subsidiary, Portage Mutual Financial Inc., and has been included from the date that control commenced until the date that control shall cease.

4. Material accounting policy information (continued)

The accounting policies of the subsidiary have been aligned with the policies adopted by the Company. All intra-company transactions and dividends have been eliminated upon consolidation.

Investments in associates includes those entities which the Company holds between 15 and 50 percent of the voting rights and exerts significant influence but not control. Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Company's share of the income and expenses and equity movements of such entities from the date that significant influence commences, until the date that significant influence ceases.

(B) FOREIGN CURRENCY TRANSACTIONS:

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets denominated in foreign currencies are translated to the functional currency of Canadian dollars at the exchange rate as of the reporting date. Non-monetary assets denominated in foreign currencies are translated to the functional currency at the same date fair value is determined or, in the case of historical cost items, the exchange rate at the date of the transaction.

(C) FINANCIAL INSTRUMENTS:

Financial assets

The Company initially recognizes receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from an asset expire or are transferred in a transaction where substantially all the risks and rewards of ownership are transferred.

Classification

Under IFRS 9, financial assets are classified based on the business model for managing the instruments and their contractual terms. The Company has the following non-derivative financial assets: investment-grade fixed income securities (such as government and corporate bonds and debentures), exchange traded equity instruments and other invested assets. Except for investment in associates, non-derivative financial assets are classified based on the business model for managing the instruments and their contractual cash flow characteristics. Depending on these criterion, assets are classified as either: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). Previous investment categories of held-to-maturity, loans and receivables, and available-for-sale under IAS 39 have been eliminated.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. In this case, the change in classification information is incorporated when assessing newly originated or purchased financial assets going forward.

4. Material accounting policy information (continued)

Financial assets are measured at amortized cost if the following criteria are met and the asset is not designated as FVTPL:

- assets are held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding or consistent with a basic lending arrangement.

Assets measured at amortized cost are recognized initially at fair value on the settlement date and subsequent to that, are measured at amortized cost using the effective interest method with the required application of twelve month or lifetime impairment expected credit losses (ECLs).

Financial assets are measured at FVOCI if the following criteria are met and they are not designated as FVTPL:

- assets are held within a business model whose objective is to both collect contractual cash flows and sell financial assets; and
- the contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding or consistent with a basic lending arrangement.

Equity investments are generally measured at FVTPL. For equity investments that are not held for trading, however, an irrevocable election can be made at initial recognition to present fair value changes permanently in OCI. This means gains or losses are not reclassified to net income upon disposal of an investment.

All other assets that are not classified as amortized cost or FVOCI are recognized as FVTPL. At initial recognition of IFRS 9, entities have the option to irrevocably designate a financial asset as FVTPL if doing so reduces an accounting mismatch that would otherwise arise.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification and measurement. Under IFRS 9, derivative instruments are automatically classified as FVTPL as the SPPI test for contractual cash flows is not met.

Business model assessment

Under IFRS 9, entities are to determine the business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. Judgment is utilized by entities to determine which model aligns with its primary business objectives. Factors considered in business model determination include the risks affecting the performance of the business model and how those risks are managed; how asset portfolio managers are compensated; and the frequency, volume and timing of sales in prior periods. As the Company's primary business model is to hold assets to collect contractual cash flows and sell as required to settle insurance contract liabilities, the assets would be reported as FVOCI. However, the Company has chosen to irrevocably designate debt and equity instruments as FVTPL to reduce accounting mismatches in net income as insurance finance income and expenses are reported in net income under IFRS 17.

4. Material accounting policy information (continued)

Summary of financial assets

The following table summarizes the classification of the Company's financial instruments under IFRS 9:

Classification	Financial Instruments	Description	Initial and Subsequent Measurement
FVTPL	Debt securities consisting of short-term debt and bonds and debentures	Non-derivative financial assets. Consists of bonds and debentures backing insurance contract liabilities that have been designated as FVTPL to reduce accounting mismatches from the reporting of discounting on insurance liabilities in net income under IFRS 17.	Initially measured at fair value using transaction prices at trade date. Subsequently measured at fair value using quoted prices for similar assets in an active market. Net gains (losses) are recognized in net income.
FVTPL	Preferred and common share equities	Non-derivative financial assets. Consists of preferred and common share equities whose dividend income is used to back insurance contract liabilities. Assets are mandatorily measured as FVTPL as the SPPI criterion fails.	Initially measured at fair value using transaction prices at trade date. Subsequently measured at fair value using quoted prices for similar assets in an active market. Net gains (losses) are recognized in net income.
Amortized Cost	Cash and cash equivalents	Highly liquid investments held to meet short-term obligations that are readily convertible to cash.	Initially measured at fair value at trade date plus any directly attributable transaction costs. Subsequently measured at amortized cost using the effective interest method. Impairment ECL provisions should be assessed and applied as necessary.
Amortized Cost	Loans to brokerages, trade and other receivables	Loans provided to brokers and subsidiary companies, trade and other receivables. Amounts are held to collect contractual cash flows until the end of the term.	Initially measured at fair value at trade date plus any directly attributable transaction costs. Subsequently measured at amortized cost using the effective interest method. Impairment ECL provisions should be assessed and applied as necessary.

Impairment

IFRS 9 introduces a single forward-looking expected credit loss model for debt instruments not measured at FVTPL. The expected credit loss model will result in an allowance for credit losses being recorded on debt instruments regardless of whether there has been an actual loss event. The model has three stages:

- on initial recognition, a loss allowance is recognized and maintained equal to 12 months of expected losses;
- if credit risk increases significantly relative to initial recognition, the loss allowance is increased to cover the full lifetime expected credit losses; and
- when a financial asset is considered credit impaired, the loss allowance continues to reflect lifetime expected credit losses and interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. A corresponding expense is recognized in net income in net gains (losses) on financial assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls or differences between the cash flows per the instrument's contractual terms and the actual cash flows the Company expects to receive. Changes in the expected credit loss allowance, including the impact of movement between 12 month and lifetime expected credit losses, will be recorded in net income.

4. Material accounting policy information (continued)

At each reporting date, the Company assesses whether financial assets are credit impaired. A financial asset is credit impaired when one or more events having a negative impact on estimated future cash flows have occurred. Under IFRS 9, financial assets that are considered investment grade are expected to have a low credit risk. Therefore, the criterion for lifetime ECL recognition is not met. The stages in determining whether there has been a significant increase in credit risk are summarized in the following table:

Staging	Description
Stage 1 (12 months)	Credit risk of the financial asset is low (investment grade) or credit risk has not increased significantly since initial recognition
Stage 2 (Lifetime)	Credit risk has significantly increased since initial recognition but the financial instrument is not credit impaired
Stage 3 (Lifetime)	Financial instrument is credit impaired

In both the 2022 and 2023 reporting periods, the Company has assessed a 12-month expected credit loss on the financial assets measured at amortized cost. As there were no previous historical losses reported, the weighted average ECL is equal to zero for these assets.

Financial liabilities

The Company initially recognizes financial liabilities on the trade date at which it becomes a party to the contractual provisions of the instrument. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

The Company has non-derivative financial liabilities which consist of accounts payable and accrued liabilities. These financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.

(D) CASH AND CASH EQUIVALENTS:

Cash consists of bank balances, net of outstanding cheques and cash equivalents which are highly liquid instruments maturing in 3 months or less. Bank overdrafts that are repayable on demand are included if utilized as a component of cash for the purpose of the statement of cash flows.

(E) INVESTMENT INCOME:

Investment income comprises interest and dividend income from invested debt and equity securities, and gains and losses on the disposal of FVTPL financial assets. Interest income is recognized as it accrues in net income, using the effective interest method. Dividend income is recognized in net income on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Finance cost includes impairment losses recognized on financial assets in net income. Foreign currency gains and losses are reported on a net basis.

4. Material accounting policy information (continued)

(F) PROPERTY AND EQUIPMENT:

Non-financial asset recognition, measurement and subsequent costs

The Company measures items of property and equipment at cost less accumulated depreciation and accumulated impairment losses. Cost comprises expenditures directly attributable to acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in net income. The subsequent cost of maintaining an item of property and equipment is recognized in net income as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in net income on a straight-line basis using rates as follows which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the assets:

Building	2%
Furniture and equipment	10%
Automobiles	30%
Data processing system	20%
Leasehold improvements	Over the term of the leases, 1–11 years

(G) INTANGIBLE ASSETS AND SUBSEQUENT EXPENDITURES:

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Other intangible assets are comprised of computer system software. Computer system software under development is not amortized until such time as the asset is available for use, after which it is amortized on a straight-line basis of 10% to 20% per year. Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in net income as incurred.

(H) IMPAIRMENT OF NON-FINANCIAL ASSETS:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each year end. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is determined as the estimated future cash flows discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Impairment losses recognized reduce the carrying amounts of the assets.

Impairment losses recognized for assets of prior periods are assessed at each reporting date for any indication 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

4. Material accounting policy information (continued)

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.

(l) EMPLOYEE BENEFITS:

Defined benefit plan

The Company sponsors a defined benefit plan which covers substantially all of its employees. The Company's obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by a qualified actuary using the projected benefit method. When the calculation results in a benefit, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in net income.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income, and reports them in equity.

Defined contribution plan

The Company maintains a defined contribution plan for its employees. The pension expense, which is charged through the statement of comprehensive income (loss), is equal to the Company's funding of this plan for the year. Effective January 1, 2022, all new employees are enrolled in the defined contribution plan.

Post-employment benefits

The Company's obligation in respect of long-term employee benefits, other than the pension plan, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected benefit method. Any actuarial gains and losses are recognized in other comprehensive income, and reported in equity.

4. Material accounting policy information (continued)

(J) INSURANCE AND REINSURANCE CONTRACTS:

Classification

As part of the normal course of business, the Company issues insurance contracts that transfer significant insurance risk from policyholders to the Company at the inception of the contract. The Company also holds reinsurance contracts that transfer significant insurance risk from the Company to reinsurers as outlined in the respective treaties. Significant insurance risk is determined by comparing the payments that are expected from a policyholder to the premium received for insuring the risk.

Insurance and reinsurance contracts that contain distinct investment components where distinct goods or services other than insurance coverage exists must be segregated and reported separately under the applicable IFRS standard. The Company has assessed that no distinct investment components exist within the Company's insurance contracts written and reinsurance contracts held.

Level of aggregation

IFRS 17 requires companies to assess whether a series of contracts can be recognized together as a group versus as individual contracts. Insurance contracts are aggregated into portfolios based on reasonable and supportable information available for contracts subject to similar risks and managed together, profitability, and contracts issued not more than one year apart. The Company has utilized judgement in separating its insurance business into unique portfolios based on product line and geographical region. These portfolios of contracts are then further grouped based on expected profitability into the following:

- groups of contracts that are onerous at initial recognition, if any;
- groups of contracts that, at initial recognition, have no significant possibility of becoming onerous, if any; and
- groups of the remaining contracts in the portfolio, if any.

Similar to the principles for insurance contracts above, the Company has aggregated reinsurance contracts into portfolios. However, references to onerous contracts have been replaced with contracts on which a net gain exists on initial recognition. In the case of reinsurance contracts held, groupings may be comprised of a single contract.

Portfolios and groups are subject to change annually depending on how the Company manages its business.

Contract boundary

In the measurement of groups of insurance contracts, the Company includes all of the future cash flows within the boundary of each contract in the group. 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 can compel the policyholder to pay premiums or has a substantive obligation to provide services outlined within the insurance contract. A substantive obligation to provide service ends when:

- the Company has the practical ability to reassess the risks of the policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

4. Material accounting policy information (continued)

Similarly, 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 has a substantive right to receive insurance services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Recognition

Groups of insurance contracts issued by the Company are recognized from the earliest of:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due or when the first payment is received if there is no contractual due date; or
- when the group of insurance contracts is identified as onerous.

The Company recognizes groups of reinsurance contracts held from:

- the beginning of the coverage period of the group, or in the case of proportionate reinsurance, the later of the beginning of the coverage period of the group or the initial recognition of underlying insurance contracts; or
- the date the Company recognizes an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract at or before that date.

If insurance contracts are acquired as a result of a business combination, these contracts are recognized as new insurance contracts by the Company on the date of acquisition.

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

Measurement model

The carrying amount of insurance contracts issued at the end of each reporting period on the consolidated statement of financial position is summarized as insurance contract liabilities. This summarized balance is composed of the following:

- *liability for remaining coverage (LRC):* the outstanding obligation to provide future insurance coverage services on events that have not yet occurred at the end of the reporting period, including incurred insurance expenses relating to future insurance coverage; and
- *liability for incurred claims (LIC):* the outstanding obligation to provide claims service on past insured events that have already occurred, including claims that have not been reported on events that have already occurred. Included within this category are incurred insurance expenses on past service.

4. Material accounting policy information (continued)

The carrying amount of reinsurance contracts held at the end of each reporting period on the consolidated statement of financial position is summarized as reinsurance contract assets. This balance contains the following:

- *asset for remaining coverage (ARC):* the outstanding right to receive future reinsurance coverage from reinsurers for events that have not yet occurred at the end of the reporting period; and
- *asset for incurred claims (AIC):* the outstanding right to receive compensation for reinsured events that have already occurred, including compensation on past events for which reinsured claims have not yet been reported.

Under IFRS 17, the Company has qualified to apply the simplified PAA model in measuring the LRC and ARC on both insurance contracts issued and reinsurance contracts held as the coverage period of the underlying contracts are one-year or less, or, are not considered to materially differ from the LRC/ARC measurement under the GM.

Initial and subsequent measurement

The LRC carrying amount is measured as the sum of the following:

- premiums receivable, identified as not materially differing from premiums received;
- less insurance acquisition cash flows allocated to LRC;
- amortized insurance acquisition cash flows recognized as expenses in the reporting period;
- less insurance revenue recognized on coverage provided during the reporting period; and
- loss component for onerous contracts.

The LRC is not adjusted for the time value of money as premiums are due within a one-year coverage period.

The LIC carrying amount is measured as the sum of the following:

- estimates of fulfilment cash flows related to incurred claims, discounted to reflect the time value of money and financial risk related to those cash flows;
- application of an explicit RA; and
- a portion of other incurred expenses related to the fulfilment of in-force insurance contracts.

The Company measures reinsurance assets for a group of reinsurance contracts held similar to insurance contracts issued. However, the measurement reflects the features of reinsurance contracts held that differ from insurance contracts issued. The asset may also include an allowance for non-performance risk by reinsurers based on management's credit risk assessment of reinsurers. All associated reinsurance expenditures incurred in the reporting period are recorded as net expenses/recoveries from reinsurance contracts held on the consolidated statement of comprehensive income (loss).

The ARC for reinsurance contracts held includes the sum of the following:

- unearned ceded premiums, net of unearned ceded commissions from reinsurers;
- premiums payable to or receivable from reinsurers associated with future reinsurance coverage; and
- reinsurance loss recovery component on onerous underlying contracts.

4. Material accounting policy information (continued)

The AIC for reinsurance contracts held includes the following:

- estimates of fulfilment cash flows related to the recovery of ceded incurred claims discounted in a similar manner as direct written insurance contracts;
- application of an explicit RA representing the amount of risk being transferred to the reinsurer;
- claims recovery amounts receivable from reinsurers;
- reinstatement premiums payable to reinsurers associated with the catastrophe reinsurance treaty; and
- profit sharing commissions receivable from reinsurers based on loss history, if any.

The Company incorporates in an unbiased way all reasonable internal and external supportable information that is available without undue cost or effort at the reporting date.

Insurance acquisition cash flows

Insurance acquisition cash flows are comprised of commissions, premium taxes and an allocation of other expenses that are considered directly attributable to underwriting insurance business. Management has utilized judgment in determining the allocation basis for other expenses using a systematic and rational allocation method. The Company has elected to capitalize insurance acquisition cash flows related to the Company's future coverage obligation to policyholders and amortize to net income over the periods in which the related premiums are recognized as income. The amount of capitalized insurance acquisition cash flows is limited to its net realizable value by giving consideration to losses and expenses estimated to be incurred as premiums are earned.

Onerous contracts

A group of insurance contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. The Company assumes that no contracts in a portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. Management has developed a methodology utilizing internal budgets, forecasts and historical trends to analyze groups of contracts and identify groups where a net outflow is expected. Onerous groups of contracts are then separated from profitable groups of contracts and a loss component recognized in LRC with the associated expense recognized as part of insurance service expense on the consolidated statement of comprehensive income (loss). The loss component is then amortized to net income over the coverage period of the underlying group of contracts as an offset to incurred claims expenses in insurance service expense.

The loss component related to onerous insurance contracts included in the LRC is offset by the expected recoverable portion of the onerous insurance contracts from the related reinsurance contracts. The group of reinsurance contracts held must be effective before or at the same time as the loss recognized on underlying onerous contracts in order to be included in the loss recovery calculation. The loss recovery component is calculated by multiplying the initial loss component on onerous underlying contracts by an expected reinsurance loss recovery ratio. Management has applied judgment in determining the expected reinsurance loss recovery ratio, utilizing a five-year average of the recovered portion of incurred claims expenses. The loss recovery component is included in ARC with the related recovery recognized in net expense from reinsurance contracts held on the consolidated statement of comprehensive income (loss). The loss recovery component is subsequently amortized to net income over the coverage period of the underlying reinsurance contract. Additional detail provided in notes 9 and 10.

4. Material accounting policy information (continued)

If facts and circumstances indicate that a group of insurance contracts is expected to become onerous during the coverage period, the Company applies the same methodology as at initial recognition to identify the loss component to be recognized in LRC.

Estimated fulfilment cash flows

The estimated fulfilment cash flows for incurred claims represents an estimate for the full amount of all costs including investigations and the projected final settlements of claims incurred to the consolidated statement of financial position date. This provision is calculated taking into consideration the time value of money and including an explicit RA.

These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded in the current period.

Discount rate

The loss component portion of the LRC and the entire LIC balance of the Company are discounted to reflect the time value of money and financial risk that acknowledges the expected duration of the liabilities of the portfolios. The appointed actuary has identified a discount yield curve using risk-free rates that are adjusted to reflect the illiquidity characteristics of the relevant insurance contracts. Refer to note 13 for additional details.

Risk Adjustment

The expected future cash flows in the liabilities or assets associated with insurance and reinsurance contracts include an RA. The RA reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from the underlying insurance contracts.

Contract modification and derecognition

Insurance contracts are derecognized upon contract expiry or cancellation when the Company's rights and obligations are extinguished. If a contract is modified for which that modification results in a significant change to the insurance contract, the initial contract is derecognized and the modified contract recognized. If contract modification is insignificant, these changes are recorded as adjustments in LRC.

Insurance revenue

In the consolidated statement of comprehensive income (loss), the Company defers and recognizes insurance revenue as earned over the coverage period of the underlying insurance contracts. Insurance revenue includes:

- allocation of expected premiums over the coverage period of the insurance contract;
- goods and service taxes and applicable provincial sales taxes on premiums allocated to the period; and
- other insurance related income such as service fees or interest collected from policyholders subscribing to installment payment plans;

4. Material accounting policy information (continued)

Insurance service expense

Insurance service expenses consist of directly attributable acquisition and fulfilment cash flows incurred by the Company in the servicing of groups of insurance contracts. Insurance service expenses are comprised of both direct and an allocation of indirect costs and include the following:

- claims incurred relating to current and prior accident years;
- an allocation of other insurance cash flows incurred in the fulfilment of in-force business during the period;
- amortization of insurance acquisition cash flows; and
- losses and reversal of losses on onerous contracts.

The Company presents any non-financial changes in RA as part of insurance service result while any changes in the financial portion are presented in net financial result. The financial portion of changes in RA include the unwinding of discounting and change in discount rates.

Net expense/recoveries from reinsurance contracts held

Net expense/recoveries from reinsurance contracts held consists of the amounts expected to be recovered from reinsurers and the reinsurance premiums paid. The Company accounts for reinsurance cash flows that are contingent on claims in the underlying contracts as part of the expected claims recoverable from reinsurers. Ceded commissions receivable from reinsurers that are not contingent on claims are recorded as an offset to premiums paid to reinsurers.

Net financial result

Net financial result on the consolidated statement of comprehensive income (loss) is comprised of net finance income/expense from insurance contracts and net finance income/expense from reinsurance contracts. Included in these items are the change in the carrying amounts of the group of insurance and reinsurance contracts arising from changes in the time value of money associated with the unwinding of discounting and change in discount rates, and changes in financial risk.

(K) LEASE PAYMENTS:

At inception of a contract, the IFRS 16 leases (IFRS 16) standard requires the Company to assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing the obligation to make lease payments, at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4. Material accounting policy information (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following: a) fixed payments, including in-substance fixed payments, b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, c) amounts expected to be payable under a residual value guarantee and d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Payments for certain short-term leases, low value asset leases and common area expenses are recognized in net income on a straight-line basis over the term of the lease.

(L) INCOME TAX:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences that do not affect accounting or taxable income or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Material accounting policy information (continued)

(M) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED:

New standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2023, and have not been applied in preparing these consolidated financial statements.

IAS 1- Presentation of Financial Statements

In October 2022, the IASB amended IAS 1 to clarify how covenants with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also require an entity to disclose additional information in the notes to the consolidated financial statements to enable stakeholders to understand the risk that non-current liabilities could become repayable within twelve months after the reporting date. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The Company does not anticipate that this amendment will have a significant impact on its consolidated financial statements.

5. Financial instruments

Classification

The carrying amounts of the Company's financial instruments by classification are as follows:

	Amortized Cost	Fair value through profit or loss	Total
Dec 31, 2023			
Investments			
Bonds and debentures			
Government	$ 473	$ 126,446	$ 126,919
Corporate	-	160,974	160,974
Common shares	-	74,940	74,940
Preferred shares	-	2,299	2,299
Other invested assets	2,454	-	2,454
Due from policyholders and reinsurers	114,481	-	114,481
Investment income due and accrued	2,316	-	2,316
Accounts payable and accrued liabilities	(36,107)	-	(36,107)
	$ 83,617	**$ 364,659**	**$ 448,276**
Dec 31, 2022 *(restated)*			
Investments			
Bonds and debentures			
Government	$ 922	$ 105,667	$ 106,589
Corporate	-	160,039	160,039
Common shares	-	77,591	77,591
Preferred shares	-	3,035	3,035
Other invested assets	4,736	-	4,736
Due from policyholders and reinsurers	93,435	-	93,435
Investment income due and accrued	2,732	-	2,732
Accounts payable and accrued liabilities	(34,776)	-	(34,776)
	$ 67,049	**$ 346,332**	**$ 413,381**

Other invested assets include shareholder loans with related parties of $1,774 (2022: $3,943).

5. Financial instruments (continued)

The amortized costs and fair values of the Company's investment portfolio are detailed as follows:

	Dec 31, 2023		Dec 31, 2022 *(restated)*	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Bonds and debentures				
Government	$ 130,723	$ 126,919	$ 112,247	$ 106,589
Corporate	166,092	160,974	174,265	160,039
Common shares	49,576	74,940	56,349	77,591
Preferred shares	2,975	2,299	3,750	3,035
Other invested assets	2,454	2,454	4,736	4,736
Total investments	**$ 351,820**	**$ 367,586**	**$ 351,347**	**$ 351,990**

Impairment

For assets classified as FVTPL, no ECL has been applied as fluctuations in fair values are recognized immediately in net income. Management has assessed loans and receivables and other amounts to have an ECL of zero as at December 31, 2023 as there is no apparent evidence of expected impairment (2022: nil).

Net investment return and net insurance financial result

Net investment return and net insurance financial result as at December 31, 2023, with 2022 comparatives, is comprised of the following:

	2023	**2022** *(restated)*
Interest	$ 10,962	$ 8,431
Dividends	2,431	2,762
Net realized gain (loss) on sale of investments	(4,877)	579
Change in unrealized gain (loss) on fair value through profit or loss for financial assets	18,706	(31,246)
Investment expenses	(544)	(622)
Net investment return	26,678	(20,096)
Net insurance financial result	(6,655)	8,256
Net investment return and net insurance financial result	**$ 20,023**	**$ (11,840)**

The coupon rates on bonds and debentures varies between 0.25% and 8.50% as at December 31, 2023 (2022: 1.25% to 8.50%). The maturity dates vary from January 2024 to December 2032.

5. Financial instruments (continued)

Investments in associates

The Company's subsidiary, Portage Mutual Financial Inc., holds investments in three insurance brokerages (2022: four insurance brokerages). Summary financial information for associates (equity accounted investees), adjusted for the percentage ownership held by the Company are as follows:

	Dec 31, 2023	Dec 31, 2022
Assets	$ 22,140	$ 23,599
Liabilities	$ 10,866	$ 13,379
Revenues	$ 12,201	$ 12,464
Profit (loss)	$ 1,769	$ 1,442

All associates are incorporated and domiciled in Canada. The movements in investments in associates during the year were as follows:

	Dec 31, 2023	Dec 31, 2022
At Jan 1	$ 21,227	$ 19,785
Equity income from investments in associates	1,769	1,442
Disposals	-	-
At Dec 31	$ 22,996	$ 21,227

6. Property and equipment

	Land	Building	Data processing equipment	Furniture and equipment	Automobiles	Leasehold improvements	Total
Cost							
Balance at Dec 31, 2022	$ 622	$ 2,537	$ 5,035	$ 3,446	$ 1,381	$ 1,233	$ 14,254
Additions	-	40	499	17	192	49	797
Disposals	-	-	-	-	(295)	-	(295)
Balance at Dec 31, 2023	**$622**	**$ 2,577**	**$ 5,534**	**$ 3,463**	**$ 1,278**	**$ 1,282**	**$ 14,756**
Depreciation							
Balance at Dec 31, 2022	$ -	$ (782)	$ (4,591)	$ (3,213)	$ (1,020)	$ (1,203)	$ (10,809)
Depreciation for the year	-	(51)	(239)	(57)	(191)	(1)	(539)
Disposals	-	-	-	-	266	-	266
Balance at Dec 31, 2023	**$ -**	**$ (833)**	**$ (4,830)**	**$ (3,270)**	**$ (945)**	**$ (1,204)**	**$(11,082)**
Carrying amounts							
At Dec 31, 2022	$ 622	$ 1,755	$ 444	$ 233	$ 361	$ 30	$ 3,445
At Dec 31, 2023	$ 622	$ 1,744	$ 704	$ 193	$ 333	$ 78	$ 3,674

7. Intangible assets

Computer System Software	2023	2022
Cost		
Balance at Jan 1	$ 40,516	$ 36,417
Additions	5,205	4,099
Disposals	-	-
Balance at Dec 31	**$ 45,721**	**$ 40,516**
Amortization		
Balance at Jan 1	$ (18,576)	$ (16,348)
Depreciation for the year	(2,734)	(2,228)
Disposals	-	-
Balance at Dec 31	**$ (21,310)**	**$ (18,576)**
Carrying amounts		
At Jan 1	$ 21,940	$ 20,069
At Dec 31	$ 24,411	$ 21,940

Amortization is recorded in the statement of comprehensive income (loss) under general expenses. Included in the software development costs above are $5,158 (2022: $156) which are still being developed and will not begin to be amortized until the system is in use.

8. Defined benefit obligation and defined contribution expense

The Company operates a registered defined benefit pension plan for its employees. The Company's registered plan specifies a monthly benefit upon retirement that is predetermined by a formula based on the employee's earnings history (final average earnings), tenure of service and age. The registered plan is indexed at the discretion of the Board of Directors. The registered plan is pre-funded by payments which require employee and employer contributions. Contributions to the registered plan are made to a separately administered trust fund and the employer contributions are determined by periodic actuarial calculations taking into account the recommendations of qualified actuaries. The registered plan is subject to minimum funding requirements by the Manitoba Pension Benefits Act. Pension plan assets are governed by the regulations of the Manitoba Pension Benefits Act. Responsibility for governance of the registered plan lies with the Pension Committee. The Pension Committee is comprised of representatives of the Company and elected plan participants in accordance with pension regulations.

The Company also operates a supplemental plan for its employees which provides a benefit upon retirement that is predetermined by a formula based on the employee's earnings history (final average earnings), tenure of service and age to members of the registered plan whose benefits are limited by the defined benefit limits under the Income Tax Act (Canada). Benefits of the supplemental plan are paid as a lump sum. The supplemental plan is unfunded. Responsibility for governance of the supplemental plan lies with the Company.

By design, the defined benefit registered and supplemental pension plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future price inflation. Pension and benefit risk is managed by establishing policies, regular monitoring, re-evaluation and potential adjustments of these policies as future events unfold.

8. Defined benefit obligation and defined contribution expense (continued)

It should be noted that both the defined benefit obligation as well as the plan assets fluctuate over time, which can result in the registered plan being underfunded. In the event the registered plan becomes underfunded, statutory regulations may require the Company to reduce the underfunded position through additional contributions to plan assets. The Company's funding policy for the registered plan is to make contributions in a year equal to or greater than those required by the applicable regulation. The most recent actuarial valuation of the registered plan for funding purposes was as of December 31, 2021. Generally, the registered plan requires a funding valuation every three years. However, when fluctuations in the defined benefit obligation and plan assets result in an underfunded position not meeting minimum funding requirements, a valuation is required annually until minimum funding requirements are achieved. The next required funding valuation of the registered plan will be as at December 31, 2024.

Components of defined benefit cost	**2023**	**2022**
Amounts recognized in net income:		
Current and past service cost (employer portion)	$ 1,409	$ 2,672
Interest expense	2,793	2,199
Interest income	(3,207)	(2,115)
Administrative expenses and taxes	125	118
Total defined benefit cost included in net income	**$ 1,120**	**$ 2,874**
Amounts recognized in other comprehensive income (OCI):		
Remeasurements – return on plan assets (excluding interest income)	$ (1,607)	$ 5,766
Remeasurements – Administrative expenses paid from plan assets	-	-
Actuarial loss (gain) on demographic assumption changes	21	-
Actuarial loss (gain) on financial assumption changes	5,497	(18,444)
Actuarial loss (gain) arising from plan member experience	135	1,465
Total remeasurements included in OCI	**$ 4,046**	**$ (11,213)**
Total defined benefit cost/remeasurement recognized in net income and OCI	**$ 5,166**	**$ (8,339)**

Cumulative loss (gain) recognized in OCI	**2023**	**2022**
Cumulative loss (gain) recognized in OCI	$ (5,623)	$ (9,669)

Change in defined benefit obligation	**2023**	**2022**
Defined benefit obligation at end of prior year	$ 53,913	$ 69,175
Current and past service cost (employer portion)	1,409	2,672
Interest expense	2,793	2,199
Plan participants' contributions	978	949
Actuarial loss (gain) on demographic assumption changes	21	-
Actuarial loss (gain) on financial assumption changes	5,497	(18,444)
Actuarial loss (gain) arising from plan member experience	135	1,465
Benefits paid	(2,318)	(4,103)
Defined benefit obligation at end of year	**$ 62,428**	**$ 53,913**

8. Defined benefit obligation and defined contribution expense (continued)

Change in plan assets	**2023**	**2022**
Fair value of plan assets at end of prior year	$ 60,940	$ 64,340
Interest income	3,207	2,115
Remeasurements – return on plan assets (excluding interest income)	1,601	(5,723)
Administrative expenses paid from plan assets	(118)	(160)
Employer contributions	1,582	3,522
Plan participants' contributions	978	949
Benefits paid	(2,318)	(4,103)
Fair value of plan assets, end of year	**$ 65,872**	**$ 60,940**

Amounts recognized in the statement of financial position	**2023**	**2022**
Defined benefit obligation	$ 62,428	$ 53,913
Fair value of plan assets	65,872	60,940
Excess (deficit)	$ 3,444	$ 7,027
Net asset (liability)	**$ 3,444**	**$ 7,027**

Weighted-average assumptions to determine defined benefit cost	**2023**	**2022**
Discount rate	5.29%	3.30%
Rate of salary increase	3.30%	3.00%
The average life expectancy (in years) at age 65 at the end of the reporting period:		
Male	22.9	22.9
Female	25.4	25.3

Weighted-average assumptions to determine defined benefit obligation	**2023**	**2022**
Discount rate	4.64%	5.29%
Rate of salary increase	3.29%	3.30%
The average life expectancy (in years) at age 65 at the end of the reporting period:		
Male	23.0	22.9
Female	25.5	25.4

Plan assets by asset category	**2023**	**2022**
Equity securities	53%	46%
Debt securities	42%	37%
Cash and cash equivalents	2%	17%
Real Estate	3%	0%
Total	**100%**	**100%**

The plan's assets do not include any investments in The Portage la Prairie Mutual Insurance Company as of December 31, 2023 and December 31, 2022.

8. Defined benefit obligation and defined contribution expense (continued)

Total employer cash payments for employee future benefits, consisting of cash contributed by the Company to its registered plan were $1,582 (2022: $1,547) and cash payments made for benefits paid under the unfunded supplemental plan for 2023 were $0 (2022: $1,975). The expected employer cash payments for the fiscal year ending December 31, 2024 to the registered plan are $1,407 and nil for the supplemental plan.

Maturity Profile

Allocation of defined benefit obligation	**2023**	**2022**
Actives	60%	59%
Deferred vested	4%	4%
Retirees	36%	37%
Total	**100%**	**100%**
Weighted average duration of the defined benefit obligation	16.3	15.3

Sensitivity analysis

Measurement uncertainty exists in valuing the components of employee future benefits. Each assumption is determined by management based on current market conditions and plan experience information available at the time, however, the long-term nature of the exposure and future fluctuations in the actual results makes the valuation uncertain. Changes in the assumptions would impact the defined benefit obligation as follows:

	2023	**2022**
Discount rate 1% decrease	10,165	8,382
Future salary increases 1% increase	3,730	2,831
Increase in average life expectancy by 1 year	1,330	1,055

To measure the impact of a change in an assumption, all other assumptions were held constant. It is expected that there would be interaction between at least some of the assumptions.

Effective January 1, 2022, all new employees are enrolled in the defined contribution plan maintained by the Company. The contributions to this plan made by the Company in the year were $228 (2022: $64).

9. Insurance contracts

The following reconciliations demonstrate the movement in the net carrying amounts of the LRC and the LIC as at December 31, 2023 and December 31, 2022 (restated):

As at Dec 31, 2023	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Expected present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities, beginning of period	$ 41,343	$ 4,057	$ 196,552	$ 12,567	$ 254,519
Insurance revenue	(296,145)	-	-	-	(296,145)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	-	(3,267)	199,229	5,802	201,764
Amortization of insurance acquisition cash flows	89,768	-	-	-	89,768
Losses and reversal of losses on onerous contracts	-	5,130	-	-	5,130
Adjustments to liabilities for incurred claims	-	-	(6,228)	(7,624)	(13,852)
Insurance service result before reinsurance contracts held	(206,377)	1,863	193,001	(1,822)	(13,335)
Finance (income) expense from insurance contracts issued	-	-	7,715	509	8,224
Total changes in the consolidated statement of income (loss)	(206,377)	1,863	200,716	(1,313)	(5,111)
Cash flows:					
Premiums received	294,141	-	-	-	294,141
Claims and other directly attributable expenses paid	-	-	(208,037)	-	(208,037)
Insurance acquisition cash flows	(84,766)	-	-	-	(84,766)
Total cash flows	209,375	-	(208,037)	-	1,338
Insurance contract liabilities, end of period	**$ 44,341**	**$ 5,920**	**$ 189,231**	**$ 11,254**	**$ 250,746**

9. Insurance contracts (continued)

As at Dec 31, 2022 *(restated)*	**Liabilities for remaining coverage**		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Expected present value of future cash flows**	**Risk adjustment for non-financial risk**	**Total**
Insurance contract liabilities, beginning of period	$ 33,247	$ 991	$ 169,770	$ 10,144	$ 214,152
Insurance revenue	(278,625)	-	-	-	(278,625)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	-	(578)	202,073	6,856	208,351
Amortization of insurance acquisition cash flows	80,150	-	-	-	80,150
Losses and reversal of losses on onerous contracts	-	3,644	-	-	3,644
Adjustments to liabilities for incurred claims	-	-	2,184	(3,808)	(1,624)
Insurance service result before reinsurance contracts held	(198,475)	3,066	204,257	3,048	11,896
Finance (income) expense from insurance contracts issued	-	-	(9,345)	(625)	(9,970)
Total changes in the consolidated statement of income (loss)	(198,475)	3,066	194,912	2,423	1,926
Cash flows:					
Premiums received	282,313	-	-	-	282,313
Claims and other directly attributable expenses paid	-	-	(168,130)	-	(168,130)
Insurance acquisition cash flows	(75,742)	-	-	-	(75,742)
Total cash flows	206,571	-	(168,130)	-	38,441
Insurance contract liabilities, end of period	**$ 41,343**	**$ 4,057**	**$ 196,552**	**$ 12,567**	**$ 254,519**

Insurance contract liabilities is comprised of LRC and LIC amounts. The breakdown of these amounts are as follows:

As at	**Dec 31, 2023**	**Dec 31, 2022** *(restated)*
Liability for remaining coverage:		
Premiums receivable	$ (102,810)	$ (87,011)
Unearned premiums	159,229	145,434
Unearned premiums received	56,419	58,423
Unamortized insurance acquisition cash flows	(26,583)	(30,576)
Net payables directly attributable to acquisition	14,505	13,496
Onerous loss provision	5,920	4,057
Liability for remaining coverage	50,261	45,400
Liability for incurred claims:		
Provision for unpaid claims and other directly attributable payables	200,485	209,119
Liability for incurred claims	200,485	209,119
Total insurance contract liabilities	**$ 250,746**	**$ 254,519**

9. Insurance contracts (continued)

The following table summarizes the maturity profile of portfolios of insurance contracts based on the undiscounted future cash flows expected to be paid out in the periods presented:

	Estimates of undiscounted future cash flows						
As at	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Dec 31, 2023							
Insurance contract liabilities	$ 107,562	$ 32,368	$ 19,305	$ 14,394	$ 11,064	$ 19,658	$ 204,351
Dec 31, 2022 *(restated)*							
Insurance contract liabilities	$ 113,712	$ 33,933	$ 20,569	$ 14,675	$ 10,527	$ 19,671	$ 213,087

10. Reinsurance contracts

The Company follows the policy of underwriting and reinsuring contracts of insurance which limits the liability of the Company to a maximum on any one loss of $1,300 (2022: $1,100) in the event of a property claim and an amount of $1,500 (2022: $1,500) in the event of a liability claim. In addition, the Company has obtained reinsurance having an upper amount of $150,000 (2022: $150,000). In 2022, the Company's reinsurance program was amended to add an additional annual aggregate retention of $2,500 to the Company's initial liability limit of $2,500. This aggregate retention can be the result of a series of claims arising out of a single occurrence or a series of claims arising from multiple cumulative occurrences. In 2023, the Company's liability limit was amended to $5,000 in the event of a series of claims arising out of a single occurrence.

The net carrying amounts of insurance and reinsurance contracts recorded in the consolidated statement of financial position are as follows:

As at	Dec 31, 2023			Dec 31, 2022 *(restated)*		
	Remaining coverage	Incurred claims	Total	Remaining coverage	Incurred claims	Total
Insurance contract liabilities	$ 50,261	$ 200,485	$ 250,746	$ 45,400	$ 209,119	$ 254,519
Reinsurance contract assets	7,933	41,660	49,593	5,967	46,897	52,864
Net insurance and reinsurance contracts	**$ 42,328**	**$ 158,825**	**$ 201,153**	**$ 39,433**	**$ 162,222**	**$ 201,655**

10. Reinsurance contracts (continued)

The following reconciliations demonstrate the movement in the net carrying amounts of the ARC and the AIC as at December 31, 2023 and December 31, 2022 (restated):

As at Dec 31, 2023	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Expected present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of period	$ 5,860	$ 107	$ 44,187	$ 2,710	$ 52,864
Allocation of reinsurance premiums paid	(39,607)	-	-	-	(39,607)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	(55)	24,506	906	25,357
Changes in amounts recoverable for incurred claims	-	245	2,329	(1,819)	755
Net (expenses) recoveries from reinsurance contracts held	(39,607)	190	26,835	(913)	(13,495)
Finance income (expense) from reinsurance contracts held	-	-	1,474	95	1,569
Total changes in the consolidated statement of income (loss)	(39,607)	190	28,309	(818)	(11,926)
Cash flows:					
Premiums paid	41,383	-	-	-	41,383
Amounts received	-	-	(32,728)	-	(32,728)
Total cash flows	41,383	-	(32,728)	-	8,655
Reinsurance contract assets, end of period	**$ 7,636**	**$ 297**	**$ 39,768**	**$ 1,892**	**$ 49,593**

As at Dec 31, 2022	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Expected present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of period	$ 6,565	$ 24	$ 23,991	$ 1,257	$ 31,837
Allocation of reinsurance premiums paid	(28,448)	-	-	-	(28,448)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	40,441	1,994	42,435
Changes in amounts recoverable for incurred claims	-	83	715	(436)	362
Net (expenses) recoveries from reinsurance contracts held	(28,448)	83	41,156	1,558	14,349
Finance income (expense) from reinsurance contracts held	-	-	(1,609)	(105)	(1,714)
Total changes in the consolidated statement of income (loss)	(28,448)	83	39,547	1,453	12,635
Cash flows:					
Premiums paid	27,743	-	-	-	27,743
Amounts received	-	-	(19,351)	-	(19,351)
Total cash flows	27,743	-	(19,351)	-	8,392
Reinsurance contract assets, end of period	**$ 5,860**	**$ 107**	**$ 44,187**	**$ 2,710**	**$ 52,864**

10. Reinsurance contracts (continued)

Reinsurance contract assets is comprised of ARC and AIC amounts. The breakdown of these amounts are as follows:

As at	Dec 31, 2023	Dec 31, 2022 *(restated)*
Asset for remaining coverage:		
Premiums ceded payable	$ (7,182)	$ (8,334)
Unearned premiums ceded	18,807	18,782
Unearned reinsurance premiums paid	11,625	10,448
Unearned reinsurance commissions receivable	(3,989)	(4,588)
Onerous loss recovery provision	297	107
Asset for remaining coverage	7,933	5,967
Asset for incurred claims:		
Provision for claims recoverable from reinsurance contracts held and other directly attributable payables	41,660	46,897
Asset for incurred claims	41,660	46,897
Total reinsurance contract assets	**$ 49,593**	**$ 52,864**

The following table summarizes the maturity profile of portfolios of reinsurance contracts based on the undiscounted future cash flows expected to be paid out in the periods presented:

	Estimates of undiscounted future cash flows						
As at	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Dec 31, 2023							
Reinsurance contract assets	$ 29,342	$ 4,817	$ 2,310	$ 1,752	$ 1,406	$ 2,248	$ 41,875
Dec 31, 2022 *(restated)*							
Reinsurance contract assets	$ 33,018	$ 6,143	$ 2,432	$ 1,599	$ 1,192	$ 2,406	$ 46,790

11. Insurance service result

The insurance service result recorded in the statement of comprehensive income (loss) can be disaggregated as follows:

	2023	2022 *(restated)*
Insurance revenue	$ 296,145	$ 278,625
Less earned premiums ceded	51,163	37,086
Insurance revenue net of ceded premiums earned	244,982	241,539
Insurance service expenses	282,810	290,521
Less ceded amounts recoverable for incurred claims and other directly attributable expenses	37,668	51,435
Insurance service expense net of ceded amounts recoverable for incurred claims and other directly attributable expenses	245,142	239,086
Insurance service result	**$ (160)**	**$ 2,453**

12. Expenses

Expenses incurred by the Company during the period, both insurance service related and other general expenses, presented in the consolidated statement of income (loss) are comprised of the following:

	2023	2022 *(restated)*
Claims and adjustment expenses	$ 180,870	$ 188,607
Discounting on claims and adjustment expenses	(5,920)	(1,987)
Risk adjustment on claims and adjustment expenses	(1,822)	3,048
Losses (gains) on onerous insurance contracts	1,863	3,066
Commissions	63,909	58,629
Premium taxes	12,530	11,638
Operating expenses	55,381	50,560
Total expenses	306,811	313,561
Amounts attributed to insurance acquisition cash flows incurred during the year	(84,766)	(75,742)
Amortization of insurance acquisition cash flows	89,768	80,150
Total insurance acquisition cash flows	5,002	4,408
Insurance service expenses	282,810	290,521
General and other operating expenses	24,001	23,040
Total expenses	**$ 306,811**	**$ 313,561**

13. Liability for incurred claims

The Company's insurance contract liability for incurred claims and reinsurance assets for incurred claims amounts as at December 31, 2023 and restated December 31, 2022 are as follows:

	Dec 31, 2023	Dec 31, 2022 *(restated)*
Gross		
Case reserve provision for outstanding claims	$ 167,583	$ 176,909
Incurred but not reported	23,555	23,629
Provision for unallocated loss adjustment expenses	3,634	4,277
Discounting and risk adjustment for non-financial risk	(3,011)	(3,081)
Net payables directly attributable to liability for incurred claims	8,724	7,385
Total	**$ 200,485**	**$ 209,119**
Ceded		
Case reserve provision for outstanding claims	$28,544	$42,090
Incurred but not reported	4,588	2,179
Provision for unallocated loss adjustment expenses	-	-
Discounting and risk adjustment for non-financial risk	(215)	137
Net payables directly attributable to asset for incurred claims	8,743	2,491
Total	**$ 41,660**	**$ 46,897**
Net		
Case reserve provision for outstanding claims	$ 139,039	$ 134,819
Incurred but not reported	18,967	21,450
Provision for unallocated loss adjustment expenses	3,634	4,277
Discounting and risk adjustment for non-financial risk	(2,796)	(3,218)
Net payables directly attributable to liability for incurred claims	(19)	4,894
Total	**$ 158,825**	**$ 162,222**

13. Liability for incurred claims (continued)

The following is a summary of insurance contract liability for incurred claims and reinsurance contract asset for incurred claims by line of business as at December 31, 2023 and restated December 31, 2022:

	Dec 31, 2023	Dec 31, 2022 *(restated)*
Gross		
Automobile	$ 96,680	$ 97,696
Property	76,456	86,214
Liability	21,636	20,905
Total undiscounted	194,772	204,815
Discounting and risk adjustment for non-financial risk	(3,011)	(3,081)
Net payables directly attributable to liability for incurred claims	8,724	7,385
Total discounted insurance contracts liabilities for incurred claims	**$ 200,485**	**$ 209,119**
Ceded		
Automobile	$ 12,922	$ 11,819
Property	20,078	32,417
Liability	132	33
Total undiscounted	33,132	44,269
Discounting and risk adjustment for non-financial risk	(215)	137
Net payables directly attributable to asset for incurred claims	8,743	2,491
Total discounted reinsurance contracts asset for incurred claims	**$ 41,660**	**$ 46,897**
Net		
Automobile	$ 83,758	$ 85,877
Property	56,378	53,797
Liability	21,504	20,872
Total undiscounted	161,640	160,546
Discounting and risk adjustment for non-financial risk	(2,796)	(3,218)
Net payables directly attributable to liability for incurred claims	(19)	4,894
Total net discounted insurance contract liability for incurred claims	**$ 158,825**	**$ 162,222**

(A) ASSUMPTIONS, CHANGES IN ASSUMPTIONS, AND SENSITIVITY ANALYSIS:

Assumptions and methodologies

The projected ultimate claims liabilities, including a provision for claims incurred but not reported (IBNR), are estimated using several methodologies involving consideration of incurred and paid loss development patterns and expected loss ratios, in a manner consistent with the prior year end. The provision for outstanding losses is also based upon the professional experience of the Company's claims department personnel and independent

13. Liability for incurred claims (continued)

adjusters retained to handle individual claims, and the continually evolving and changing regulatory and legal environment. The establishment of the provision uses known facts and interpretation of circumstances, on a case by case basis, and is therefore a complex and dynamic process influenced by a large variety of factors as appropriate. These factors include the quality of data used for projection purposes, actuarial studies, and the effect of inflationary trends on future claims settlement costs and court decisions. In addition, time can be a critical part of the reserving determination, since the longer the span between the incidence of a loss and the final payment of the claims, the more potential for variability in the ultimate settlement amount. Short-term claims, such as property claims, tend to be more reasonably predictable than long-term claims, such as automobile liability and general liability claims.

Provisions are calculated in accordance with accepted actuarial practice in Canada and applicable regulatory requirements. The appointed actuary produces gross and net of reinsurance loss triangles by accident year and development period using the last 19 years of claims information. Loss development triangles are also produced using ratios of claims amounts at successive development ages.

The undiscounted claims liabilities are then discounted to the actuarial present value using a discounted yield curve consisting of a risk-free rate plus an illiquidity premium.

The provision for unpaid losses is calculated as the present value of expected future payments plus actuarially determined provisions for adverse deviations and is considered an indicator of fair value, as there is no organized market for the trading of insurance liabilities.

The provision for unearned premiums ensures adequate coverage over the expected level of future claims and expenses for policies still in force.

Changes in assumptions

Under IFRS 17, the best estimate discount rate is determined from discount curves based on a reference portfolio. As at December 31, 2023, the rate has decreased by 35 basis points as compared to the December 31, 2022 restated rate. This has resulted in a decrease of $836 in the estimated impact of discounting.

Sensitivity analysis

The provisions represent the best estimate of the claims liabilities at the reporting date. Provisions related to the Company's automobile line of business are subject to the greatest amount of uncertainty due to the greater length of claims resolution. If the factor affecting the tail of this line of business was increased by 1%, the net claims liabilities would increase by 2.5% (2022: 2.5%) and net income for the Company would decrease by $4,050 (2022: $4,137). All other variability in the claims liabilities of the Company's other lines of business are considered to be less material.

13. Liability for incurred claims (continued)

(B) DISCOUNTING OF THE PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES AND RELATED REINSURANCE RECOVERABLES:

Cash flows are discounted using risk-free yield curves adjusted to reflect the cash flow characteristics and liquidity of the underlying insurance contracts. The appointed actuary has adjusted the yield curves for an illiquidity premium to reflect the liquidity characteristics of the associated insurance contracts.

Discount rates applied for discounting of future cash flows are as follows:

	Insurance contracts issued / reinsurance contracts held							
Discount Rate	**Current year +1**	**Current year +2**	**Current year +3**	**Current year +4**	**Current year +5**	**Current year +6**	**Current year +7**	**Current >7 years***
As at Dec 31, 2023	5.39%	4.96%	4.45%	4.19%	4.09%	4.06%	4.07%	4.12%
As at Dec 31, 2022 *(restated)*	5.47%	5.14%	4.84%	4.62%	4.51%	4.47%	4.50%	4.57%

*Average discount rates for year 8 and beyond

(C) RISK ADJUSTMENT FOR NON-FINANCIAL RISK:

The RA reflects the compensation that the Company would require for bearing the uncertainty about the amount and timing of the cash flows for a group of insurance or reinsurance contracts. This RA reflects the Company's risk aversion and is calculated using a confidence level technique. An 85% confidence level was selected by the Company for the RA for the current and prior reporting periods.

A reserve variability model (RVM) was used to estimate the potential volatility of the Company's unpaid claims reserves. The RVM is a bootstrap model which randomly samples the historical volatility in claims reserves to simulate potential future volatility. Based on a review of the simulated results at the 85th percentile, the simulated reserves required would be 6.1% higher than the mean. The Company has selected a risk adjustment of 6.1% (2022: 6.5%) which is applied to the unpaid claim liabilities and claims recoverable amounts from reinsurers.

(D) PROVISION FOR UNPAID LOSSES BY RISK CATEGORIES:

	Dec 31, 2023		**Dec 31, 2022** *(restated)*	
Type of claim provision	**Gross**	**Ceded**	**Gross**	**Ceded**
Long-settlement term:				
General liability, automobile liability and personal accident	$ 98,302	$ 12,295	$ 102,511	$ 13,889
Facility association and other residual pools	10,883	-	10,335	-
	109,185	12,295	112,846	13,889
Short-settlement term:				
Property and automobile other	82,576	20,622	88,888	30,517
Net payables directly attributable to liability for incurred claims	8,724	8,743	7,385	2,491
Total	**$ 200,485**	**$ 41,660**	**$ 209,119**	**$ 46,897**

13. Liability for incurred claims (continued)

(E) MOVEMENT IN PROVISION FOR UNPAID LOSSES:

Reconciliations of the change in the liability for incurred claims and the reinsurance asset for incurred claims for the current and prior periods are as follows:

	2023		2022 *(restated)*	
	Gross	**Ceded**	**Gross**	**Ceded**
Balance at the beginning of the period	$ 209,119	$ 46,897	$ 179,914	$ 25,248
Losses incurred during the period	173,776	23,865	189,547	41,346
Change in the IBNR provision	(74)	2,409	(2,260)	180
Change in the ULAE provision	(643)	-	1,320	-
Change in the estimated impact of discounting including RA	70	(352)	1,061	1,188
Less insurance finance income (expense) incurred	(8,224)	(1,569)	9,970	1,714
Less claims paid	191,326	38,980	140,894	17,190
Change in net payables directly attributable to liability for incurred claims	1,339	6,252	(9,599)	(2,161)
Net liability for incurred claims	**$ 200,485**	**$ 41,660**	**$ 209,119**	**$ 46,897**

(F) CLAIMS DEVELOPMENT:

The following summarizes claims development of the Company for the past ten years included in liability for incurred claims:

Gross

Accident year	Earlier	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimated ultimate claims costs												
At end of accident year		$ 141,921	$ 124,191	$ 117,206	$ 100,392	$ 112,962	$ 112,459	$ 116,050	$ 113,727	$ 171,504	$ 176,068	
One year later		139,506	125,935	118,311	102,422	111,103	110,046	111,895	116,089	176,056		
Two years later		135,540	127,167	118,202	99,962	108,374	109,659	111,093	120,111			
Three years later		134,277	126,050	118,787	97,062	106,789	106,900	111,453				
Four years later		132,697	126,157	115,887	96,427	106,622	108,034					
Five years later		130,081	124,107	115,573	97,071	110,537						
Six years later		128,349	123,723	114,974	102,246							
Seven years later		127,590	123,990	117,659								
Eight years later		127,269	128,236									
Nine years later		130,940										
Ten years later												
Current estimate of ultimate claims costs		130,940	128,236	117,659	102,246	110,537	108,034	111,453	120,111	176,056	176,068	
Cumulative payments to date		130,202	126,160	113,879	98,691	104,801	101,078	99,780	103,419	143,787	80,303	
Undiscounted claims liabilities before unallocated loss adjustment expenses (ULAE)		$ 738	$ 2,076	$ 3,780	$ 3,555	$ 5,736	$ 6,956	$ 11,673	$ 16,692	$ 32,269	$ 95,765	
Undiscounted unpaid ULAE		16	45	80	68	93	146	244	335	638	1,933	
Undiscounted claim liabilities including ULAE	$ 1,906	$ 754	$ 2,121	$ 3,860	$ 3,623	$ 5,829	$ 7,102	$ 11,917	$ 17,027	$ 32,907	$ 97,698	$ 184,744
Undiscounted liability in respect of prior years												(855)
Total all years												183,889
Effect of discounting												(3,011)
Facility association and other residual pools												10,883
Net payables directly attributable to liability for incurred claims												8,724
Liability for incurred claims												**$ 200,485**

13. Liability for incurred claims (continued)

The following summarizes claims development of the Company for the past ten years included in liability for incurred claims net of reinsurance assets for incurred claims:

Net

Accident year	Earlier	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimated ultimate claims costs												
At end of accident year		$ 132,224	$ 116,469	$ 107,686	$ 93,061	$ 103,608	$ 100,199	$ 105,964	$ 101,263	$ 151,321	$ 154,670	
One year later		129,216	117,659	108,320	94,175	101,335	96,398	102,345	104,219	150,761		
Two years later		125,426	118,334	108,564	92,370	98,613	96,031	101,662	102,421			
Three years later		124,135	117,716	108,247	89,493	97,105	94,551	99,316				
Four years later		122,621	117,516	105,339	88,866	96,823	92,784					
Five years later		120,191	115,853	105,140	89,536	94,738						
Six years later		118,533	115,618	104,447	89,567							
Seven years later		117,783	115,830	103,910								
Eight years later		117,443	115,394									
Nine years later		117,222										
Ten years later												
Current estimate of ultimate claims costs		117,222	115,394	103,910	89,567	94,738	92,784	99,316	102,421	150,761	154,670	
Cumulative payments to date		116,484	113,396	101,297	86,680	90,703	86,383	88,518	87,783	124,110	71,565	
Undiscounted claims liabilities before unallocated loss adjustment expenses (ULAE)		$ 738	$ 1,998	$ 2,613	$ 2,887	$ 4,035	$ 6,401	$ 10,798	$ 14,638	$ 26,651	$ 83,105	
Undiscounted unpaid ULAE		16	45	80	68	93	146	244	335	638	1,933	
Undiscounted claims liabilities including ULAE	$ 1,542	$ 754	$ 2,043	$ 2,693	$ 2,955	$ 4,128	$ 6,547	$ 11,042	$ 14,973	$ 27,289	$ 85,038	$ 159,004
Undiscounted liability in respect of prior years												(1,147)
Total all years												157,857
Effect of discounting												(2,796)
Other liability recoverable from reinsurers												(7,100)
Facility association and other residual pools												10,883
Net payables directly attributable to liability for incurred claims												(19)
Net liability for incurred claims												**$ 158,825**

14. Net financial result

The Company's insurance and reinsurance finance expense (income) is comprised of the following:

For the year ended Dec 31	2023	2022
Change in the carrying amount in insurance contracts due to:		
Unwinding of the discount rate	$ (6,338)	$ (1,691)
Changes in discount rates and other financial assumptions	(1,437)	10,889
Facility association finance income (expense)	(449)	772
Insurance finance income (expense)	(8,224)	9,970
Change in the carrying amount of reinsurance contracts due to:		
Unwinding of the discount rate	1,345	204
Changes in discount rates and other financial assumptions	224	(1,918)
Reinsurance finance income (expense)	1,569	(1,714)
Net insurance financial result	**$ (6,655)**	**$ 8,256**

15. Leases

IFRS 16 Leases (IFRS 16):

The standard requires companies to recognize on the statement of financial position a right-of-use asset, representing its right to use the underlying leased asset, and a corresponding lease liability, representing the obligation to make lease payments, for all leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the above recognition requirements, and may continue to be treated as operating leases.

Reconciliations of the opening to closing balances of the lease right-of-use assets and lease liabilities are as follows:

	Dec 31, 2023	Dec 31, 2022
Lease right-of-use balance at the beginning of the period	$ 2,882	$ 3,291
Additional right-of-use assets recognized in year	151	-
Lease right-of-use asset depreciation recognized in year	(393)	(409)
Lease right-of-use balance at the end of the period	**$ 2,640**	**$ 2,882**

	Dec 31, 2023	Dec 31, 2022
Lease liability balance at the beginning of the period	$ 3,301	$ 3,697
Additional lease liabilities recognized in year	151	-
Lease liability principal payments recognized in year	(392)	(396)
Lease liability balance at the end of the period	**$ 3,060**	**$ 3,301**

As a lessee, the Company's leases relate to office facilities. The following table provides information about the timing of future lease payments included within the lease liability:

	Dec 31, 2023	Dec 31, 2022
Less than one year	$ 488	$ 498
One to five years	1,996	1,846
More than five years	1,048	1,513
Total contractual undiscounted lease liabilities	**$ 3,532**	**$ 3,857**

	Dec 31, 2023	Dec 31, 2022
Current	$ 381	$ 388
Non-current	2,679	2,913
Total discounted lease liabilities	**$ 3,060**	**$ 3,301**

For the period ending December 31, 2023, total cash outflows for leases was $504 (2022: $520). $597 was recognized for operating lease expenses under the general expenses line item in the statement of comprehensive income (loss) (2022: $673).

16. Income tax expense

The provision for income taxes differs from the statutory marginal rate as certain sources of income are exempt from tax or are taxed at other than the marginal rate.

The Company's provision for income taxes, compared to statutory rates is summarized as follows:

	2023	2022 *(restated)*
Provision for income taxes at:		
Statutory marginal income tax rate at 26.0% (2022: 25.9%)	$ (1,057)	$ (8,376)
Non-taxable investment income	(596)	(617)
Change in statutory marginal income tax rate	2	40
Other	12	(470)
Income tax expense (recovery)	**$ (1,639)**	**$ (9,423)**

The components of deferred income tax balances are as follows:

	2023	2022 *(restated)*
Deferred income tax assets:		
Claims liabilities	$ 1,633	$ 1,372
Post-employment benefit	561	463
Other	187	163
Deferred income tax assets	2,381	1,998
Deferred income tax liabilities:		
Pension plan	(1,000)	(1,933)
Other	(6,026)	(5,062)
Deferred income tax liabilities	(7,026)	(6,995)
Deferred income taxes	**$ (4,645)**	**$ (4,997)**

The income tax recognized in other comprehensive income (loss) is as follows:

	2023			2022 *(restated)*		
	Before tax	Income tax (expense) benefit	Net of tax	Before tax	Income tax (expense) benefit	Net of tax
Actuarial gains (losses) on pension plan	$ (4,046)	$ 1,044	$ (3,002)	$ 11,213	$ (2,913)	$ 8,300
Actuarial gains (losses) on post-employment benefit	(265)	68	(197)	593	(154)	439
	$ (4,311)	**$ 1,112**	**$ (3,199)**	**$ 11,806**	**$ (3,067)**	**$ 8,739**

16. Income tax expense (continued)

The movement in temporary differences related to deferred tax assets and liabilities during the years include:

2023	Balance, Jan 1	Recognized in profit or loss	Recognized directly in equity	Recognized in OCI	Balance, Dec 31
Claims liabilities	$ 5,403	$ 879	$ -	$ -	$ 6,282
Actuarial gains (losses) on pension plan	(7,027)	(463)	-	4,046	(3,444)
Actuarial gains (losses) on post-employment benefit	1,791	103	-	265	2,159
Other	(18,913)	(3,548)	-	-	(22,461)
	$ (18,746)	**$ (3,029)**	**$ -**	**$ 4,311**	**$ (17,464)**

2022 *(restated)*	Balance, Jan 1	Recognized in profit or loss	Recognized directly in equity	Recognized in OCI	Balance, Dec 31
Claims liabilities	$ 5,624	$ (221)	$ -	$ -	$ 5,403
Actuarial gains (losses) on pension plan	4,835	(649)	-	(11,213)	(7,027)
Actuarial gains (losses) on post-employment benefit	2,283	101	-	(593)	1,791
Other	(6,150)	(12,763)	-	-	(18,913)
	$ 6,592	**$ (13,532)**	**$ -**	**$ (11,806)**	**$ (18,746)**

17. Role of the actuary and auditor

The actuary has been appointed pursuant to the Insurance Companies Act. With respect to the preparation of these financial statements, the actuary is required to carry out a valuation of the Company's policy liabilities, both gross and net of reinsurance, and to report thereon to the policyholders. The policy liabilities consist of a provision for unpaid claims and adjustment expenses on the expired portion of insurance policies, and a provision for future obligations on the unexpired portion of insurance policies in force, which in turn may limit the amount of deferred policy acquisition expenses. The valuation is made in accordance with accepted actuarial practice in Canada, as well as any other matter specified in any direction that may be made by regulatory authorities. In performing the valuation of the policy liabilities, which are by their nature inherently variable, assumptions are made as to future loss ratios, trends, rates of claims frequency and severity, inflation, reinsurance recoveries, investment rates of return, expenses and other matters, taking into consideration the circumstances of the Company and the nature of the insurance coverage. The provisions do not include estimates for extraordinary future emergence of either new classes of claims or claims categories not sufficiently recognized in the historical claims database. It is certain that the actual development of claims and adjustment expenses will vary from the valuation and may, in fact, vary significantly. The actuary makes use of management information provided by the Company, and also uses the work of the independent auditors with respect to the verification of the underlying data used in the valuation. The Actuary's Report outlines the scope of her work and opinion.

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

18. Commitments and contingencies

The Company has purchased a number of annuities in settlement of claims. 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 and the fair value of the financial guarantees is $2,166 (2022: $2,682).

The Company has commitments for computer processing and support services expiring in 2041. The total of the future minimum payments for these services is $45,817.

From time to time, in connection with its operations, the Company is named in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome at this time, in the opinion of management, these matters are without substantial merit and therefore no provision has been made for them in the accounts.

19. Financial risk management

Risk management is carried out by the finance group and the Investment Committee under policies approved by the Board of Directors and senior management. The Company has written principles for overall risk management, as well as written policies covering specific areas, such as insurance risk, credit risk, liquidity risk, market risk, and the use of derivative and non-derivative financial instruments. The adoption of IFRS 9 and 17 has not changed these written principles for financial risk management.

(A) INSURANCE RISK:

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

Pricing risk: This risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicality of the insurance market.

Reserving risk: These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded in the current period.

Catastrophic loss risk: This risk represents the exposure to losses resulting from multiple claims arising out of a single catastrophic event.

Reinsurance coverage risk: The Company relies on reinsurance to manage the underwriting risk; however, reinsurance does not release the Company from its primary commitments to its policyholders. The Company limits its exposure to individual reinsurers and regularly reviews the creditworthiness of reinsurers with whom it transacts.

19. Financial risk management (continued)

The following demonstrates the Company's geographic dispersion of revenues by provinces for the year ended December 31:

Insurance revenue by province

	BC	AB	SK	MB	ON	NB	NS	PE	NL	Total
2023										
Automobile	$ -	$ 38,047	$ 642	$ -	$29,439	$ 5,393	$ 11,704	$ 2,847	$ -	$ 88,072
Property	836	25,727	7,611	43,460	12,547	6,060	13,083	627	-	109,951
Farm	196	25,574	3,527	28,724	13	21	32	3	-	58,090
Commercial	406	3,083	3,241	7,547	4,513	2,520	5,232	375	-	26,917
Liability	234	2,193	761	3,575	3,032	938	2,216	166	-	13,115
Total	**$ 1,672**	**$ 94,624**	**$ 15,782**	**$ 83,306**	**$ 49,544**	**$ 14,932**	**$ 32,267**	**$ 4,018**	**$ -**	**$296,145**
2022 *(restated)*										
Automobile	$ -	$ 35,745	$ 658	$ -	$ 28,249	$ 5,778	$ 12,681	$ 2,676	$ -	$85,787
Property	857	23,170	7,043	41,250	12,405	5,772	12,416	598	-	103,511
Farm	153	21,819	3,256	27,035	3	18	27	2	-	52,313
Commercial	395	3,028	2,914	7,069	4,316	2,377	5,183	368	-	25,650
Liability	215	1,772	681	3,191	2,598	782	1,972	153	-	11,364
Total	**$ 1,620**	**$ 85,534**	**$ 14,552**	**$ 78,545**	**$ 47,571**	**$ 14,727**	**$ 32,279**	**$ 3,797**	**$ -**	**$278,625**

(B) CREDIT RISK:

The Company is exposed to credit risk through its investments in fixed income securities, other invested assets and accounts receivable from policyholders and reinsurers. The Company monitors its exposure to individual issuers and classes of issuers of fixed income securities which do not carry the guarantee of a national or Canadian provincial government. Management believes the Company's credit exposure to any one individual policyholder is not material due to the geographic dispersion of revenues and diversified customer base. The Company monitors its exposure to credit risk with brokers and ensures that it works only with provincially licensed firms in good standing with their respective regulatory bodies.

The breakdown of the Company's fixed income portfolio by credit ratings from recognized external credit rating agencies is presented below:

	Fair values			
Credit Rating	**Dec 31, 2023**		**Dec 31, 2022**	
AAA	$ 70,612	25%	$ 41,258	15%
AA	37,688	13%	61,409	23%
A	107,086	37%	143,857	54%
BBB	72,507	25%	20,104	8%
Total	**$ 287,893**	**100%**	**$ 266,628**	**100%**

As at December 31, 2023, 74.81% of the Company's fixed income portfolio is rated 'A' or better, compared to 92.46% at December 31, 2022.

19. Financial risk management (continued)

As at December 31, 2023, financial assets of $407,144 (2022 restated: $367,531) were exposed to credit risk consisting of accounts receivable, amounts due from other insurers, bonds and debentures, investment income due and accrued, and other invested assets. Management has reviewed accounts receivable for objective evidence of impairment and determined there to be none.

Expected Credit Loss

The Company must assess possible default events within 12 months for calculation of the expected credit losses for financial instruments not measured at FVTPL. The Company has assessed the historical payment patterns, business reputation and of other loans and invested assets to determine the ECL. Given that shareholder loans invested in associates are considered equity and not a receivable, there would be no ECL in relation to these amounts. The historical payment patterns of other loans to brokers indicate that no payment has been overdue for longer than 60 days and therefore there is no ECL associated with these amounts. There are no expected credit losses on financial instruments not measured at FVTPL.

(C) LIQUIDITY RISK:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities. To mitigate these risks the Company ensures that assets and liabilities are broadly matched in both their duration and currency and actions are taken to balance positions within approved risk tolerance limits. In the consolidated financial statements, accounts payable and accrued liabilities, and unearned premiums have a contractual maturity of less than one year.

The table below summarizes the carrying value and fair value by the earliest contractual maturity of the Company's bonds and debentures.

Maturity profile	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total
As at Dec 31, 2023					
Bonds and debentures	$ 43,916	$ 215,329	$ 28,648	$ -	$ 287,893
As at Dec 31, 2022					
Bonds and debentures	$ 44,565	$ 204,526	$ 17,537	$ -	$ 266,628

The Company has access to a line of credit of approximately $4,500. No amount was drawn on the line of credit as at December 31, 2023.

(D) MARKET RISK:

Market risk is the risk that changes in market prices, such as interest rates, equity market prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. Market risk generally includes currency risk, interest rate risk, and equity market fluctuations risk.

The Company monitors its exposure to individual issuers, foreign currencies and classes of issuers of equity instruments. A hypothetical change in 1% of foreign exchange would not have a material impact on the financial statements.

19. Financial risk management (continued)

As at December 31, 2023, management estimates that an immediate hypothetical 100 basis point, or 1%, parallel increase in interest rates would decrease the market value of the fixed income securities by $5,829 (2022: $5,621), representing 2.27% of the $256,797 (2022: 2.34% of the $240,215) fair value fixed income securities portfolio, and decrease the value of net unpaid claims reserves by $3,177 (2022 restated: $3,244). The net result would be a decrease in equity of $2,653 (2022 restated: $2,377). Conversely, a 100 basis point decrease in interest rates would increase the market value of the fixed income securities and unpaid claims reserves and increase equity by the same amounts, respectively.

The Company's investments in equities are sensitive to market fluctuations. To properly manage the Company's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks are set and monitored. A decline of 10% in equity values, with all other variables held constant, will impact the Company's equity investments by an approximate loss of $7,494 (2022: $7,759).

The Company has no investments in derivative financial assets, collateral financial products or structured financial products.

Fair value

Carrying value of accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature.

Fair value hierarchy

The Company has categorized its assets and liabilities that are carried at fair value on a recurring basis, based on the priority of inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy.

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Company's assumptions about the assumptions market participants would use in pricing the assets or liabilities.

19. Financial risk management (continued)

Financial assets measured at fair value are categorized as follows:

	Level 1	Level 2	Level 3	Total
As at Dec 31, 2023				
Bonds and debentures				
Canadian government	$ 30,623	$ 39,230	$ -	$ 69,853
Provincial	-	56,593	-	56,593
Corporate	-	160,974	-	160,974
Equity investments				
Canadian	62,310	-	-	62,310
Foreign	14,929	-	-	14,929
Total assets measured at fair value	**$ 107,862**	**$ 256,797**	**$ -**	**$ 364,659**
As at Dec 31, 2022				
Bonds and debentures				
Canadian government	$ 13,714	$ 25,449	$ -	$ 39,163
Provincial	11,777	54,727	-	66,504
Corporate	-	160,039	-	160,039
Equity investments				
Canadian	69,963	-	-	69,963
Foreign	10,663	-	-	10,663
Total assets measured at fair value	**$ 106,117**	**$ 240,215**	**$ -**	**$ 346,332**

In 2022 and 2023, no transfers have occurred between any of the levels.

20. Capital management

Capital is comprised of the Company's earned surplus and accumulated other comprehensive income (AOCI). As at December 31, 2023, the Company's earned surplus was $223,825 (2022 restated: $224,453) and AOCI was $3,326 (2022 restated: $6,525). The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities. Senior management develops the capital strategy and oversees the capital management process of the Company. Capital is managed using both regulatory capital measures and internal metrics.

The Portage la Prairie Mutual Insurance Company is regulated by the Office of the Superintendent of Financial Institutions (OSFI). The Minimum Capital Test (MCT) ratio targeted by the Company is 210% compared to the regulatory minimum capital test requirement of 150%. To measure the degree to which the Company is able to meet regulatory solvency requirements, the appointed actuary presents an annual report to the Audit Committee and management on the Company's current and future solvency. As at December 31, 2023, the Company had an MCT ratio of 312% (2022 restated: 279%) and aggregate available capital in excess of required capital by approximately $117,451 (2022 restated: $115,670).

20. Capital management (continued)

Upon transition to IFRS 9 and IFRS 17, the MCT impact was a decrease of 84%. The IFRS 9 and IFRS 17 standards have not changed how the company manages capital or the capital framework.

21. Related party transactions

Transactions between the Company and related parties are summarized as follows:

(A) SUBSIDIARY:

The Company enters into related party transactions with entities that Portage Mutual Financial Inc. has made investments in. These transactions consist of interest income and commissions and are carried out in the normal course of operations and on normal market terms.

	2023	2022
Revenue		
Interest income	$ 11	$ 2
Expenses		
Commissions	2,543	2,404

(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AMOUNTS:

	2023	2022
Accounts receivable	$ 209	$ 327

(C) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL:

The key management of the Company includes all senior management and directors. The total salaries and benefits paid to senior management and directors in 2023 were $3,043 (2022: $5,226).

None of the directors or senior management or their respective associates or affiliates is or has been indebted to the Company at any time in 2023 or 2022.

The Company sells insurance contracts to senior management and directors. This amounted to $47 in 2023 (2022: $41).

22. Assets and liabilities

The following presents assets and liabilities for which the Company expects to settle or recover in 12 months or greater as at December 31, 2023 and December 31, 2022.

	Dec 31, 2023	Dec 31, 2022 *(restated)*
Assets		
Investments	$ 246,431	$ 226,799
Reinsurance asset for incurred claims	(45,303)	(36,288)
Liabilities		
Insurance contract liability for incurred claims	$ 84,199	$ 88,022

23. Rate regulation

The Company is subject to rate regulation with respect to its automobile insurance business, which comprises approximately 32% (2022 restated: 35%) of net premiums written. The approach adopted towards auto rate regulation varies by province. In certain jurisdictions, a regulator will assess whether the proposed auto premiums are just and reasonable, do not impair the solvency of the insurer, are not excessive and are reasonably predictive of risk before the proposed premiums become effective.

Proposed premiums by insurers may be substantiated by extensive actuarial analysis, including projected loss costs and operating expense assumptions. Jurisdictions have specific rules regarding permissible variables and how they may be combined and the extent of statistical support required to justify their use.

Relevant regulatory authorities may, in some circumstances, require retroactive rate adjustments, which could result in a regulatory asset or liability. As at December 31, 2023 and 2022, the Company had no significant regulatory asset or liability.

Notes

Portage Mutual Insurance®

Facing the storm with you

Trust.

We build it over time.

From our first handshake,

To the moments trust gets tested,

To those stormy times when we rally and we rebuild,

A home,

A business,

A life.

Trust is why we exist.

It's our daily delivery to you.

When we started in 1884, technology was changing.

New arrivals were strengthening the country.

A rough year could sink you.

The more things change, the more they stay the same.

People needed trust *then* just as they do *today.*

That's why we let our neighbours know every day,

That it's okay to take a risk.

Bad fortune will not mean failure.

When the storm hits, we'll face it together.

That's *trust.*