139th Annual Report, 2022

Portage Mutual Insurance®

Facing the storm with you

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Our Vision, Our Mission, Our Values

Our Vision

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

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 148,000 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 more than 700 independent insurance brokers. These professionals are hand-picked 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

Our Mission, in part, is to *provide protection and peace of mind for policyholders through quality insurance products and services with exceptional value.* As our CEO, Wayne Wyborn has outlined in his report, we certainly had many opportunities to demonstrate our commitment to that mission in 2022. Arising from a relatively quiet 2021, wind, hail, water, and sewer backup losses came storming back in 2022. Our claims department coded ten major storm events this past year capped off by Hurricane Fiona hitting the Atlantic provinces in September. In all, our property insurance losses were up approximately $52 Million as compared to 2021. The Board appreciates the hard work and resilience of our claims staff, brokers, and independent adjusters in providing prompt and professional service to our policyholders under often difficult circumstances.

While continuing to provide operational service to our stakeholders, our senior management team was busy preparing the Company for the future. Our Vision, in part, is to *attain sustained, strategic growth and be the insurer of choice in our markets.* To that end, the Company has transitioned to a new five-year strategic plan which focuses on our people, our brokers, and our policyholders. The strategic initiatives, goals, and objectives that were developed through a collaborative process involving the Board of Directors, Senior Leadership and an outside consultant will position the Company well for the future. It is a robust and ambitious plan; however, the Board has every confidence that our leadership team has the drive, skills, and ability to achieve its mandate.

Your Board of Directors has also been preparing for the future by ensuring 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. Since 2020, we have completely rewritten our By-Laws, Governance Manual, and Board and Committee Mandates to ensure that we are meeting our fiduciary obligations. The Board has also instituted 12-year term limits for directors to ensure that we are maintaining the appropriate balance of institutional memory with new ideas. As well, this limit ensures that we are constantly renewing which allows us to recruit new directors with the skills, abilities, and diversity of thought that support our strategic direction.

This past year also saw us announce a leadership transition. Our former President and CEO, John Mitchell, retired effective December 31st after 39 years of service including 10 as our CEO. John's commitment to the success of our employees and the service provided to our policyholders and brokers were hallmarks of his career. We thank him for his service and wish him well in his retirement.

Our new President and CEO, Wayne Wyborn was appointed effective January 1st of this year. Wayne's skills, experience, and leadership qualities align well with our future direction, and we are excited for the opportunity to work with him going forward.

To the policyholders, you have a talented and dedicated group of directors. They work hard to ensure that Portage Mutual is prepared for the future while still providing robust oversight of its operations. Their confidence in appointing me as Board Chair last year was very much appreciated and I look forward to working with them for the remainder of my term.

To Wayne Wyborn and his dedicated team, the Board thanks you for all your hard work in the past year and we look forward to supporting your success on our new strategic plan in 2023.

Brent Gilbert, *B.ED, CCIB, ICD.D*
Chair, Board of Directors
February 24, 2023

Message from the CEO

The past year was a challenging one for our Company.

Just a year earlier, low claims activity and strong investment returns resulted in 2021 being one of our most successful years on record. In contrast, 2022 was the complete opposite with increasingly volatile weather, an increase in interest rates, and a resurgence in inflation. These all contributed to significant underwriting and investment losses for the year.

On a positive note, we rolled out our new policy management system and began the process of converting almost 150,000 policies to the new system. The process of stabilizing a super-complex ecosystem with many moving parts (including people) has not been without its challenges; however, we are making good progress. We look forward to the efficiencies and improved customer service that it will bring to our policyholders and employees once completed. In Q4 of 2022, we started the last significant phase of our legacy system replacement, focusing on accounting, statistical, and regulatory reporting, which is expected to take until the end of 2023 to complete.

> **“Our claims teams worked very hard to respond to a record number of 10 coded Catastrophe events…**

Though our overall underwriting results were poor, the automobile portfolio performed well again in 2022. The commercial portfolio, being somewhat less susceptible to weather-related issues, also performed quite well.

Our claims teams worked very hard to respond to a record number of 10 coded Catastrophe events, including Hurricane Fiona, which is now the largest catastrophe event in the Company's history. As a result of Hurricane Fiona, our Maritime branch received one-third of the year's claims volume in just one week. Company-wide, our claims volume was over 30% greater than the claims reported in 2021.

Although the pandemic is largely behind us, supply chain disruptions and labour shortages continue to create challenges for our policyholders and increase company claims costs.

Financial Summary

Premiums written:	$286,025
Investment income:	$3,041
Underwriting loss:	$(13,460)
Net after tax loss:	$(5,481)
Earned surplus:	$237,479
Minimum Capital Test:	363%

A Look Ahead

We launched a new strategic plan on January 1, 2023. It 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.

Our focus on employees will assist in attracting and retaining the best talent available to service our policy-

Message from the CEO

holders. To that end, we are supporting a hybrid working environment that has proven to support both productivity and open up opportunities for recruitment and retention. We have also put a renewed focus on succession planning as we prepare for retirements in the years to come.

Brokers continue to be our sole product distribution arm. We will continue to focus our resources on supporting brokers through better communications and electronic document sharing. Now that our new policy management system is live we will also be doing a product review and expanding our risk appetite to better service our policyholders and brokers and grow our premiums.

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.

These activities demonstrate the Company's focus on leveraging data and analytics to provide better service to its 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.

> **"We will continue to focus our resources on supporting brokers…**

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 policyholders 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 2023.

Wayne Wyborn, *FCIP, CRM, PFMM, ICD.D*
President and CEO
February 24, 2023

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. and ONE Insurance Group Ltd.

Wayne has been married to his wife, Edina for 28 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, Marketing

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 vice-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

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

M.R. Tarr, *CIP*
National Technical Claims Specialist

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

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

C. Geddes, *CIP*
Regional Claims Manager

J.D. 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 700 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.

Portage Mutual Insurance®

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.

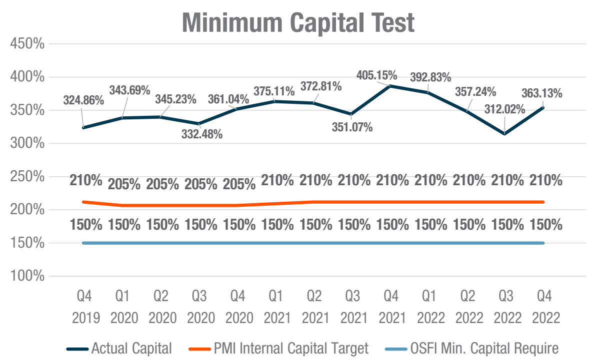
We’re your friends and neighbours and we’re all in this together. That’s what being mutual is all about.

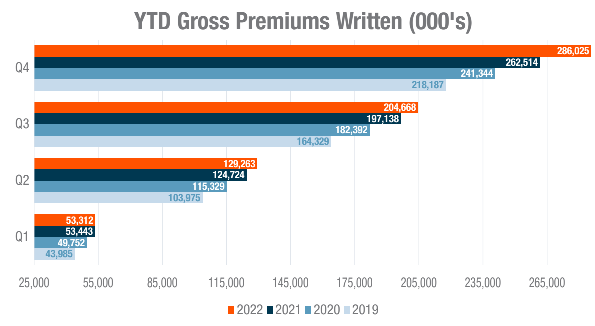
Financially sound

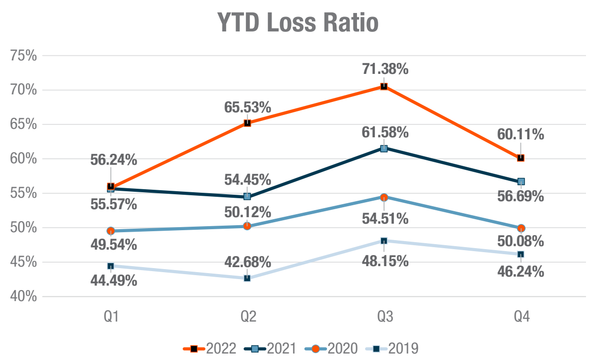
As a national company, we’re regulated by the Office of the Superintendent of Financial Institutions (OSFI). They ensure that companies maintain certain performance standards. We’re proud to say that we’re well above the Canadian P&C required rating as prescribed by OSFI and we’re even well above the 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.

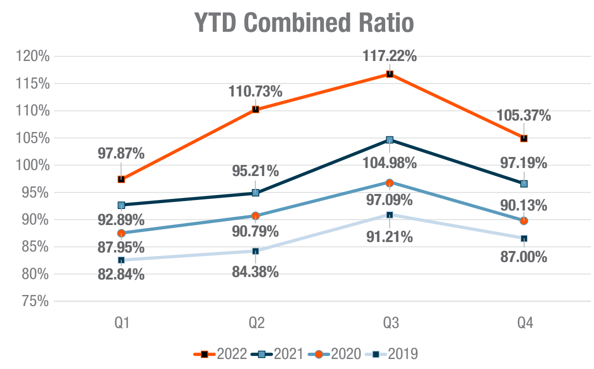
What this means is that if disaster strikes, you can rest assured that we have the resources to keep you covered and you can expect fast and fair claims service to help you put that special place back together. This is something you’d expect from a company that’s been doing this since 1884.

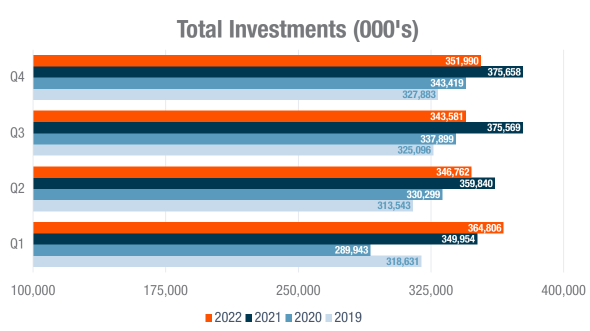
Financial Highlights

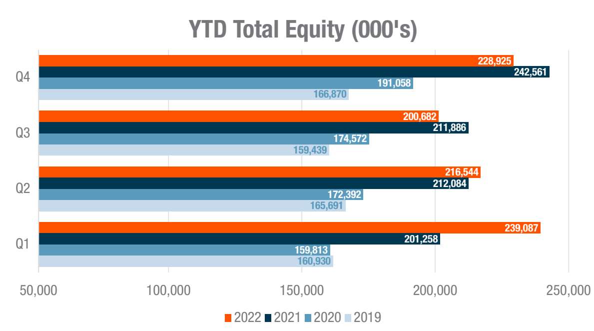






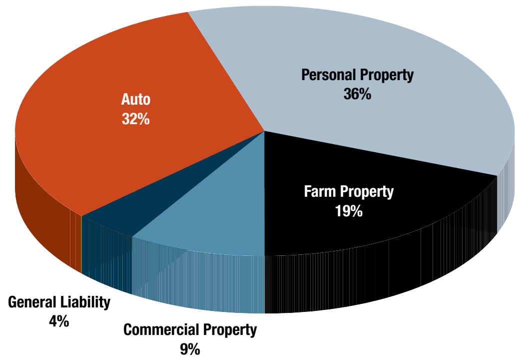




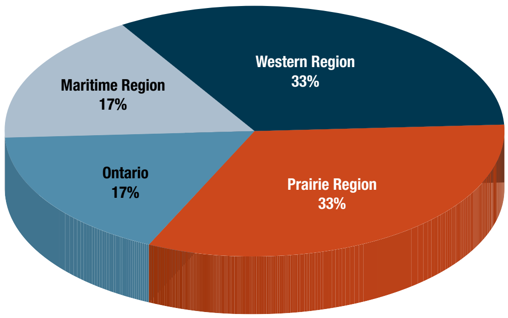


Financial Highlights

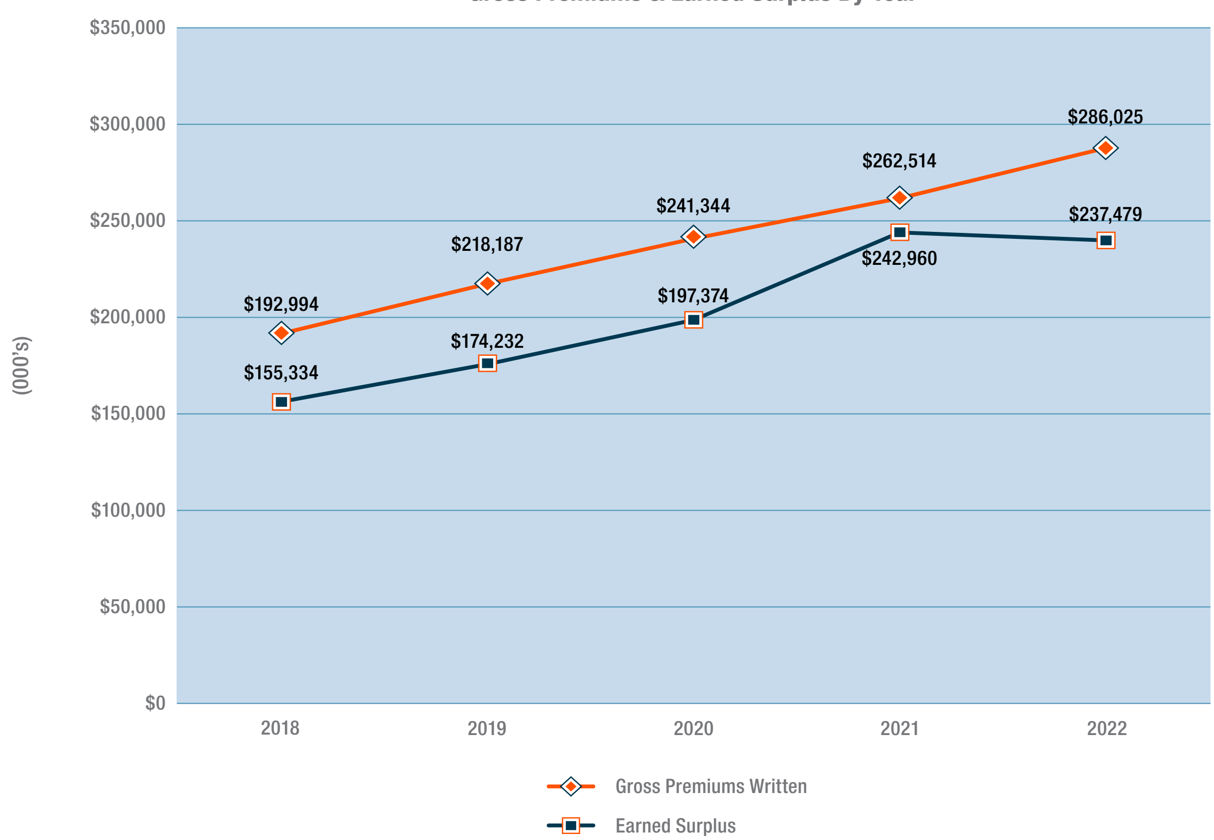
2022 Gross Premiums Written by Line of Business



2022 Gross Premiums Written 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, 2022;
- the consolidated statement of comprehensive income 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 significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have 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 auditor's report that includes our opinion.

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 24, 2023

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

I have valued the policy liabilities including reinsurance recoverables of The Portage la Prairie Mutual Insurance Company for its consolidated statement of financial position at 31 December 2022 and their changes in the consolidated statement of comprehensive income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of the policy liabilities makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Mylène Labelle
Fellow, Canadian Institute of Actuaries
Toronto, Ontario
February 23, 2023

Consolidated Statement of Financial Position

As at December 31, 2022, with comparative information for 2021

In thousands of dollars	**2022**	**2021**
Assets		
Cash and cash equivalents	$ 7,326	$ 22,134
Prepaid expenses	1,358	431
Premium and other receivables	83,433	77,759
Amounts due from other insurers	9,612	7,433
Investment income due and accrued	2,732	2,109
Investments *(note 5)*	351,990	375,658
Income taxes recoverable	26,445	104
Deferred policy acquisition expenses *(note 11)*	30,500	34,000
Reinsurers' share of unearned premiums *(note 10)*	15,431	12,555
Reinsurers' share of provision for unpaid losses *(note 12)*	35,072	12,667
Investments in associates *(note 5)*	21,227	19,785
Deferred income taxes *(note 14)*	-	2,057
Accrued pension asset *(note 8)*	7,027	-
Intangible assets *(note 7)*	21,940	20,069
Property and equipment *(note 6 and note 13)*	6,327	6,584
Total assets	**$ 620,420**	**$ 593,345**
Liabilities and equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 13,863	$ 14,825
Amounts due to other insurers	14,053	16,605
Other payable *(note 13)*	11,598	11,081
Income taxes payable	-	5,349
Unearned premiums *(note 10)*	146,627	138,576
Provision for unpaid losses *(note 12)*	199,322	157,230
Pension plan liability *(note 8)*	-	4,835
Post-employment benefit liabilities	1,790	2,283
Deferred income taxes *(note 14)*	4,242	-
Total liabilities	391,495	350,784
Equity:		
Earned surplus	237,479	242,960
Accumulated other comprehensive income (loss)	(8,554)	(399)
Total equity	228,925	242,561
Total liabilities and equity	**$ 620,420**	**$ 593,345**

Commitments and contingencies *(note 16)*

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

Year ended December 31, 2022, with comparative information for 2021

In thousands of dollars	**2022**	**2021**
Insurance operations:		
Premiums written	$ 286,025	$ 262,514
Reinsurance premiums ceded	42,057	33,278
Increase (decrease) in unearned premiums	5,176	9,004
	47,233	42,282
Net premium earned	238,792	220,232
Fee, commission and other income	13,691	12,959
Total underwriting revenues	252,483	233,191
Claims and adjustment expenses	178,888	113,068
Less claims ceded to reinsurers	35,346	11,243
	143,542	101,825
General expenses	50,427	38,892
Commissions	60,336	52,362
Premium taxes	11,638	9,729
Total underwriting expenses	265,943	202,808
Underwriting income (loss)	(13,460)	30,383
Investment income *(note 5)*	3,041	28,921
Income (loss) before income tax	(10,419)	59,304
Income tax expense (recovery) *(note 14)*	(3,496)	14,837
Share of net income of associates *(note 5)*	1,442	1,119
Net income (loss)	**$ (5,481)**	**$ 45,586**
Other comprehensive income (loss), net of taxes:		
Items that may be reclassified subsequently to net income:		
Net change in fair value of available for sale financial assets	(16,512)	(5,582)
Reclassification of net realized (gains) losses to income	(382)	(66)
Items that will not be reclassified subsequently to net income:		
Actuarial gains (losses) on pension plan	8,300	11,119
Actuarial gains (losses) on post-employment benefit	439	446
Total other comprehensive income (loss)	(8,155)	5,917
Total comprehensive income (loss)	**$ (13,636)**	**$ 51,503**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for 2021

In thousands of dollars	**Earned surplus**	**Accumulated other comprehensive income (loss)**	**Total equity**
Balance as at January 1, 2021	$ 197,374	$ (6,316)	$ 191,058
Net income (loss)	45,586	-	45,586
Other comprehensive income (loss)	-	(5,648)	(5,648)
Actuarial gains (losses) on pension and employee benefits	-	11,565	11,565
Balance as at December 31, 2021	242,960	(399)	242,561
Net income (loss)	(5,481)	-	(5,481)
Other comprehensive income (loss)	-	(16,894)	(16,894)
Actuarial gains (losses) on pension and employee benefits	-	8,739	8,739
Balance as at December 31, 2022	**$ 237,479**	**$ (8,554)**	**$ 228,925**

Accumulated other comprehensive income is composed of net unrealized gains (losses) on available-for-sale investments net of income taxes (recovery) of ($5,522), ($723 at December 31, 2021) and actuarial gains (losses) on pension and employee benefits net of income taxes (recovery) of $2,280 (($787) at December 31, 2021).

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

In thousands of dollars	2022	2021
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ (5,481)	$ 45,586
Items not involving cash:		
Amortization of bond premiums	873	1,021
Depreciation on property and equipment	480	516
Amortization on intangible assets	2,228	1,091
Deferred income taxes	3,229	(499)
Loss (gain) on disposal of capital assets	(89)	(65)
Net realized loss (gain) on disposal of investments	(579)	(233)
Change in unrealized loss (gain) on fair value through profit or loss financial assets	8,109	(19,228)
Change in non-cash balances relating to operations:		
Deferred policy acquisition expenses	3,500	(3,500)
Provision for unpaid losses, net of reinsurers' share	19,686	941
Unearned premiums, net of reinsurers' share	5,175	9,004
Payables and other	(24,109)	3,546
Income taxes	(2,271)	4,113
Proceeds of Interest	8,431	7,247
Proceeds of dividends	2,762	2,723
Cash provided by (used in) operating activities	21,944	52,263
Income taxes received (paid)	(18,720)	(8,536)
Net cash provided by (used in) operating activities	3,224	43,727
Investing activities:		
Purchase of property and equipment	(632)	(490)
Purchase of other assets	(4,099)	(9,887)
Purchase of investments	(118,585)	(53,548)
Proceeds from the sale of property and equipment	89	65
Proceeds on disposal of investments	105,195	27,776
Net cash provided by (used in) investing activities	(18,032)	(36,084)
Net change in cash and cash equivalents	(14,808)	7,643
Cash and cash equivalents, beginning of year	22,134	14,491
Cash and cash equivalents, end of year	**$ 7,326**	**$ 22,134**
Cash and cash equivalents is comprised of:		
Cash in bank	$ 4,814	$ 20,934
Cash equivalents	2,512	1,200
Cash and cash equivalents, end of year	**$ 7,326**	**$ 22,134**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 2022

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, 2022 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). International Financial Reporting Standards (IFRS) became Canadian GAAP for publicly accountable enterprises in Canada, effective January 1, 2011.

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 24, 2023, 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))
- available-for-sale financial assets are measured at fair value
- 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.

(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)

The effect of the COVID-19 pandemic on the economy and financial markets is continuing to progress. The impact of COVID-19 is still ongoing and can introduce additional uncertainty around estimates, assumptions and judgements used in preparing the financial statements.

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 12 – provision for unpaid losses
- Note 16 – commitments and contingencies.

(D) LIQUIDITY:

The Company presents its statements 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 20.

3. Adoption of new accounting standards

There are no new standards, interpretations and amendments, effective for the first time from January 1, 2022 that have had a material effect on the consolidated financial statements.

4. Significant accounting policies

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. 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.

4. Significant accounting policies (continued)

(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 loans and 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.

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 as either: held-to-maturity financial assets (HTM), loans and receivables, available-for-sale financial assets (AFS), or financial assets at fair value through profit or loss (FVTPL).

Held-to-maturity financial assets

Financial asset debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value on the settlement date and subsequent to that, are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes loans to brokerages, trade and other receivables in this classification. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss

Financial assets are designated at fair value through profit or loss if classified as held for trading. These are recorded initially at fair value, with changes in fair value recorded in profit or loss. Common share equity investments have been designated in this category with purchase and sale decisions based on their fair value in accordance with the Company's documented investment strategy.

4. Significant accounting policies (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets of the Company. These comprise investments in equity and debt securities not classified in any of the previous categories. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value, other than impairment losses, are recognized in other comprehensive income. When investments are derecognized, the cumulative gains or losses in other comprehensive income are transferred to profit or loss.

Impairment

Financial assets not carried at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment which has occurred after initial recognition of an asset. Objective evidence of impairment includes a loss event that has had a negative effect on the estimated future cash flows of an asset and which can be reliably estimated. For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

All individually significant loans and receivables and held-to-maturity investment securities are assessed for impairment. Impairment loss of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Any such impairment losses would be recognized in profit or loss and reflected in an allowance account against receivables. Should a subsequent event cause the amount of impairment loss to decrease, the decrease is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss transferred to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recorded in profit or loss. If subsequent to an impairment loss, fair value increases and the increase is relatable to an event after the impairment loss was recognized, then the impairment loss is reversed with the amount of the reversal recognized in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Investments in associates are tested for impairment when there is objective evidence that it may be impaired.

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.

4. Significant accounting policies (continued)

(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 on the disposal of available-for-sale financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss 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 profit or loss. Foreign currency gains and losses are reported on a net basis.

(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 profit or loss. The subsequent cost of maintaining an item of property and equipment is recognized in profit or loss 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 profit or loss 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, 1–8 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

4. Significant accounting policies (continued)

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 profit or loss 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 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.

(I) 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 profit or loss 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 profit or loss.

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

4. Significant accounting policies (continued)

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, 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.

(J) INSURANCE CONTRACTS:

Revenue recognition
Insurance premiums written are deferred as unearned premiums and are recognized in income on a pro rata basis over the term of the policy. A reconciliation of the current and prior year's unearned premiums is detailed under note 10.

Deferred policy acquisition expenses
Acquisition expenses comprise commissions, premium taxes and other expenses which relate directly to the production of the business. Deferred policy acquisition costs related to unearned premiums are amortized to income over the periods in which the premiums are earned. The amount of deferred policy acquisition expenses is limited to its net realizable value by giving consideration to losses and expenses estimated to be incurred as the premiums are earned.

Reinsurance ceded
Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts. Unearned premiums on business ceded and estimates of amounts recoverable from reinsurers on unpaid losses are recorded as assets on the balance sheet. Amounts recoverable from reinsurers are estimated in a manner consistent with the related claims liabilities.

Provision for unpaid losses
The provision for unpaid losses represents an estimate for the full amount of all costs including investigations and the projected final settlements of claims incurred to the balance sheet date. This provision is calculated taking into consideration the time value of money and including an explicit provision for adverse deviations.

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.

4. Significant accounting policies (continued)

(K) LEASE PAYMENTS:

At inception of a contract, the 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.

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 profit or loss 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 profit or loss 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.

4. Significant accounting policies (continued)

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 profit 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.

(M) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2022, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments (IFRS 9)

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)), which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). The finalized standard contains guidance on the following:

I. CLASSIFICATION AND MEASUREMENT

The classification of debt instruments is based on the cash flow characteristics and the business model in which the debt instrument is held. Debt instruments that have contractual cash flows representing solely payments of principal and interest can be classified as amortized cost when the objective of the business model is to receive contractual cash flows of principal and interest or fair value through other comprehensive income (FVOCI) when the objective of the business model is both to receive contractual cash flows of principal and interest and to realize cash flows from the sale of the debt instruments. The fair value through profit or loss (FVTPL) classification is applied for all other debt instruments or when specified elections are made that allows for the elimination or significant reduction of accounting mismatches that would otherwise arise.

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 income upon disposal of an investment.

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.

With regards to the classification of financial liabilities, IFRS 9 largely retains the existing requirements in IAS 39.

II. IMPAIRMENT

IFRS 9 introduces a single forward-looking expected credit loss model for debt instruments not measured at FVTPL. The new 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:

4. Significant accounting policies (continued)

- 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 life time 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.

Changes in the expected credit loss allowance, including the impact of movement between 12 month and lifetime expected credit losses, will be recorded in income.

III. HEDGE ACCOUNTING

The new model for hedge accounting aligns hedge accounting with risk management objectives and strategy. An entity may choose to adopt the requirement under IFRS 9 or maintain the existing requirements of IAS 39.

IFRS 9 is generally effective for years beginning on or after January 1, 2018. In September 2016, the IASB issued an amendment to IFRS 4: Insurance contracts (IFRS 4) which provides optional relief to eligible insurers in respect of IFRS 9. The options permit entities whose predominant activity is issuing insurance contracts within the scope of IFRS 17:

a) a temporary exemption to defer the implementation of IFRS 9; or
b) the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9.

On June 25, 2020, the IASB issued amendments to IFRS 9. These amendments included the extension of the temporary exemption for IFRS 9 to annual reporting periods beginning on or after January 1, 2023. The Company has elected to apply the optional temporary relief and it will continue to apply IAS 39 until January 1, 2023. See note 5 (Financial Instruments) for additional disclosures which enable comparison between the Company and entities that applied IFRS 9 at January 1, 2018.

IV. IMPACT ASSESSMENT

Under IFRS 9, the Company has elected to classify debt instruments at FVTPL to reduce any accounting mismatches as a result of reporting related amounts under IFRS 17. The Company will report common share equity as FVTPL under IFRS 9, which aligns with the classification under IAS 39 currently. Preferred share equity will be classified as FVTPL versus AFS under IAS 39. As both debt instruments and preferred share equities were previously reported under AFS, the Company expects a material impact to the statement of profit or loss. As fair value amounts of all debt and equity instruments are reported in profit or loss under IFRS 9, the application of the expected credit loss model (ECL) for impairment will not apply. Other loans and receivables will continue to be reported at amortized cost with the application of an ECL impairment provision. At the transition date, the Company does not hold any hedge instruments and therefore changes in hedge accounting under IFRS 9 are not applicable.

Changes in classifications resulting from the adoption of IFRS 9 will be applied using a full retrospective approach including the restatement of prior year comparatives. Impacts of the reclassification will be recognized in equity.

4. Significant accounting policies (continued)

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. This standard replaces existing accounting under IFRS 4. Amendments to IFRS 17 were issued in June 2020. IFRS 17 is effective beginning on January 1, 2023 with a transition date of January 1, 2022. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and will be applied retrospectively. The IASB permitted early adoption of the standard, however early adoption was prohibited for companies federally regulated through the Office of the Superintendent of Financial Institutions (OSFI).

The impacts resulting from the Company's expected key policies under IFRS 17 are discussed in the following paragraphs. The Company has not finalized the 2022 quantitative impacts of the change in standard on equity and net income at the timing of this reporting as new accounting processes and internal controls continue to be refined. The new accounting policies, assumptions and judgements are subject to change until the finalization of the audit of transitional balances for the comparative period.

While the Company continues to finalize its application of the standard, its assessment of the qualitative implications, including consideration of any OSFI requirements, are as follows:

I. IDENTIFYING CONTRACTS IN THE SCOPE OF IFRS 17

IFRS 17 introduces scope exemptions for specific types of contracts. Groups or sets of contracts may require treatment as a single contract if determined applicable. The Company does not expect significant change in the scope of insurance and reinsurance contracts between IFRS 4 and IFRS 17.

II. LEVEL OF AGGREGATION

IFRS 17 requires insurance contracts to be aggregated and measured into portfolios based on contracts subject to similar risks and managed together, profitability, and contracts issued not more than one year apart. The Company determines contracts subject to similar risks and managed together based on product lines. The Company will cohort its new business using annual cohorts. When an insurance contract is written, it will be assigned a profitability group based on the expected profitability on the date of initial recognition. The level of aggregation requirements do not permit the offsetting of gains and losses between groups of contracts.

III. CONTRACT BOUNDARIES

For insurance contracts under IFRS 17, cash flows are within the contract boundary if they arise from substantive rights and obligations existing during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide the policyholder with services. A substantive obligation to provide service ends when:

a) 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
b) 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. Significant accounting policies (continued)

For reinsurance contracts, cash flows are within the contract boundary under IFRS 17 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 services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

a) 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
b) has a substantive right to terminate the coverage.

IV. MEASUREMENT

Insurance contracts

Insurance contract liabilities for each group of insurance contracts represents the sum of the liability for incurred claims (LIC) and liability for remaining coverage (LRC). The Company expects that these liabilities will be measured using the simplified measurement model, the Premium Allocation Approach (PAA).

The Company does not expect a significant impact in the measurement of the liability for remaining coverage under IFRS 17 as the PAA is similar to the Company's previous accounting treatment for short duration contracts under IFRS 4. 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 those insurance contracts the Company issues 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 they were measured under the General Model (GM).

Under IFRS 17, the measurement of the LIC requires the following:

a) estimates of future cash flows related to incurred claims be discounted to reflect the time value of money and financial risk related to those cash flows 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, therefore discount rates will be based on a risk-free rate plus an illiquidity premium reflective of the cash flow characteristics of the respective insurance contracts.
b) application of an explicit risk adjustment for non-financial risk which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflects the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment for non-financial risk 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.

Onerous contracts

The standard 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 profit or loss along with an increase in the LRC portion of the insurance contract liability known as a "loss component" to appropriately reflect the timing of losses. The loss component is included to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the LRC. The amount of loss from onerous contracts written in a year is a required disclosure.

4. Significant accounting policies (continued)

Reinsurance contracts held

Reinsurance contracts held assets for each group of reinsurance contracts represents the sum of the asset for remaining coverage (ARC) and asset for incurred claims (AIC). 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 contracts held assets, a risk factor indicating the risk of non-performance of the reinsurer should be assessed and applied at each reporting date to profit or loss.

Insurance acquisition cash flows

Acquisition cash flows associated with writing insurance business and measured using PAA will be deferred and amortized over the life of the underlying contracts similar to IFRS 4.

V. PRESENTATION AND DISCLOSURE

IFRS 17 introduces changes to the way in which the Company will present and disclose financial results. Insurance contract liabilities presented in the consolidated balance sheet will consist of premiums receivable, deferred policy 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 in the consolidated balance sheet and include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The reclassification of amounts on the consolidated balance sheet are expected to result in a reduction in consolidated assets and liabilities of the Company.

Amounts recognized in the statement of profit or loss and OCI are disaggregated into:

a) an insurance service result, comprising insurance revenue, insurance service expenses, and net expense from reinsurance contracts; and
b) 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 item is presented as part of net investment result.

In relation to note disclosures under IFRS 17, significant changes will occur with the inclusion of new insurance contract roll-forward schedules where the separation of onerous amounts from LRC and risk adjustment for non-financial risk amounts from LIC will be required. Changes to the claims development table will also be required to reconcile to the LIC balance.

VI. TRANSITION

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach as if IFRS 17 had always been applied with the impacts recognized in equity.

5. Financial instruments

Classification

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

	Available-for-sale	Held-to-maturity	Fair value through profit or loss	Loans and receivables	Other	Total
December 31, 2022						
Investments						
Bonds and debentures	$ 265,706	$ 922	$ -	$ -	$ -	$ 266,628
Common shares	-	-	77,591	-	-	77,591
Preferred shares	3,035	-	-	-	-	3,035
Other invested assets	-	-	-	4,736	-	4,736
Due from policyholders and reinsurers	-	-	-	93,045	-	93,045
Investment income accrued	-	-	-	2,732	-	2,732
Accounts payable and accrued liabilities	-	-	-	-	(13,863)	(13,863)
	$ 268,741	**$ 922**	**$ 77,591**	**$ 100,513**	**$ (13,863)**	**$ 433,904**
December 31, 2021						
Investments						
Bonds and debentures	$ 274,172	$ 1,346	$ -	$ -	$ -	$ 275,518
Common shares	-	-	91,114	-	-	91,114
Preferred shares	3,883	-	-	-	-	3,883
Other invested assets	-	-	-	5,143	-	5,143
Due from policyholders and reinsurers	-	-	-	85,192	-	85,192
Investment income accrued	-	-	-	2,109	-	2,109
Accounts payable and accrued liabilities	-	-	-	-	(14,825)	(14,825)
	$ 278,055	**$ 1,346**	**$ 91,114**	**$ 92,444**	**$ (14,825)**	**$ 448,134**

Other invested assets include shareholder loans with related parties of $3,943 (2021: $3,958).

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

	December 31, 2022		December 31, 2021	
	Amortized cost	**Fair value**	**Amortized cost**	**Fair value**
Bonds and debentures	$ 286,512	$ 266,628	$ 272,962	$ 275,518
Common shares	56,349	77,591	60,371	91,114
Preferred shares	3,750	3,035	3,900	3,883
Other invested assets	4,736	4,736	5,143	5,143
Total investments	**$ 351,347**	**$ 351,990**	**$ 342,376**	**$ 375,658**

5. Financial instruments (continued)

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company's financial assets that are currently either classified as available-for-sale or held-to-maturity as at and for the year ending December 31, 2022, showing separately the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) and the financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (Non-SPPI):

	SPPI		Non-SPPI	
	Fair value	Change in fair value	Fair value	Change in fair value
Bonds and debentures	$ 211,202	$ (14,852)	$ 55,426	$ (5,033)
Preferred shares	-	-	3,035	(715)
Total	**$ 211,202**	**$ (14,852)**	**$ 58,461**	**$ (5,748)**

The following additional disclosure required by IFRS 9 for eligible insurers, presents the credit risk ratings of SPPI financial assets at December 31, 2022:

Credit Rating	Credit Risk	December 31, 2022		December 31, 2021	
AAA	Lower	$ 41,258	15%	$ 14,263	5%
AA	Lower	61,409	23%	46,588	17%
A	Lower	143,857	54%	191,653	70%
BBB	Lower	20,104	8%	23,014	8%
Total		**$ 266,628**	**100%**	**$ 275,518**	**100%**

Impairment

Management has reviewed investments for objective evidence of impairment at December 31, 2022 and determined there to be none (2021: nil).

The maximum exposure to credit risk would be the fair value indicated.

Net investment income

Net investment income as at December 31, 2022, with 2021 comparatives, is comprised of the following:

	2022	2021
Interest	$ 8,431	$ 7,247
Dividends	2,762	2,723
Net realized gain (loss) on sale of investments	579	233
Change in unrealized gain (loss) on fair value through profit or loss for financial assets	(8,109)	19,228
Investment expenses	(622)	(510)
Total investment income	**$ 3,041**	**$ 28,921**

The coupon rates on bonds and debentures varies between 1.250% and 8.500% as at December 31, 2022 (2021: 1.100% to 10.125%). The maturity dates vary from March 2023 to February 2032.

5. Financial instruments (continued)

Investments in associates

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

	December 31, 2022	December 31, 2021
Assets	$ 23,599	$ 21,364
Liabilities	$ 13,379	$ 12,677
Revenues	$ 12,464	$ 11,281
Profit (loss)	$ 1,442	$ 1,119

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

	December 31, 2022	December 31, 2021
At January 1	$ 19,785	$ 18,666
Equity income from investments in associates	1,442	1,119
Disposals	-	-
At December 31	$ 21,227	$ 19,785

6. Property and equipment

	Land	Building	Data processing equipment	Furniture and equipment	Automobiles	Leasehold improvements	Total
Cost							
Balance at December 31, 2021	$ 622	$ 2,502	$ 4,669	$ 3,427	$ 1,327	$ 1,233	$ 13,780
Additions	-	35	366	19	212	-	632
Disposals	-	-	-	-	(158)	-	(158)
Balance at December 31, 2022	**$622**	**$ 2,537**	**$ 5,035**	**$ 3,446**	**$ 1,381**	**$ 1,233**	**$ 14,254**
Depreciation							
Balance at December 31, 2021	$ -	$ (731)	$ (4,407)	$ (3,153)	$ (994)	$ (1,202)	$ (10,487)
Depreciation for the year	-	(51)	(184)	(60)	(184)	(1)	(480)
Disposals	-	-	-	-	158	-	158
Balance at December 31, 2022	**$ -**	**$ (782)**	**$ (4,591)**	**$ (3,213)**	**$ (1,020)**	**$ (1,203)**	**$ (10,809)**
Carrying amounts							
At December 31, 2021	$ 622	$ 1,771	$ 262	$ 274	$ 333	$ 31	$ 3,293
At December 31, 2022	$ 622	$ 1,755	$ 444	$ 233	$ 361	$ 30	$ 3,445

7. Intangible assets

Computer System Software	2022	2021
Cost		
Balance at January 1	$ 36,417	$ 26,530
Additions	4,099	9,887
Disposals	-	-
Balance at December 31	**$ 40,516**	**$ 36,417**
Amortization		
Balance at January 1	$ (16,348)	$ (15,257)
Depreciation for the year	(2,228)	(1,091)
Disposals	-	-
Balance at December 31	**$ (18,576)**	**$ (16,348)**
Carrying amounts		
At January 1	$ 20,069	$ 11,273
At December 31	$ 21,940	$ 20,069

Amortization is recorded in the statement of comprehensive income under general expenses. Included in the software development costs above are $156 (2021: $13,665) which are still being developed and will not begin to be amortized until the system is in use.

8. Defined benefit obligation

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 (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	**2022**	**2021**
Amounts recognized in profit or loss:		
Current and past service cost (employer portion)	$ 2,672	$ 3,123
Interest expense	2,199	1,913
Interest income	(2,115)	(1,510)
Administrative expenses and taxes	118	115
Total defined benefit cost included in profit or loss	**$ 2,874**	**$ 3,641**
Amounts recognized in other comprehensive income (OCI):		
Remeasurements – return on plan assets (excluding interest income)	$ 5,766	$ (7,685)
Remeasurements – Administrative expenses paid from plan assets	-	-
Actuarial loss (gain) on demographic assumption changes	-	(63)
Actuarial loss (gain) on financial assumption changes	(18,444)	(6,886)
Actuarial loss (gain) arising from plan member experience	1,465	(453)
Total remeasurements included in OCI	**$ (11,213)**	**$ (15,087)**
Total defined benefit cost recognized in profit or loss and OCI	**$ (8,339)**	**$ (11,446)**

Cumulative loss (gain) recognized in OCI	**2022**	**2021**
Cumulative loss (gain) recognized in OCI	$ (9,669)	$ 1,544

Change in defined benefit obligation	**2022**	**2021**
Defined benefit obligation at end of prior year	$ 69,175	$ 72,874
Current and past service cost (employer portion)	2,672	3,123
Interest expense	2,199	1,913
Plan participants' contributions	949	797
Actuarial loss (gain) on demographic assumption changes	-	(63)
Actuarial loss (gain) on financial assumption changes	(18,444)	(6,886)
Actuarial loss (gain) arising from plan member experience	1,465	(453)
Benefits paid	(4,103)	(2,130)
Defined benefit obligation at end of year	**$ 53,913**	**$ 69,175**

8. Defined benefit obligation (continued)

Change in plan assets	2022	2021
Fair value of plan assets at end of prior year	$ 64,340	$ 55,294
Interest income	2,115	1,510
Remeasurements – return on plan assets (excluding interest income)	(5,723)	7,685
Administrative expenses paid from plan assets	(160)	(115)
Employer contributions	3,522	1,299
Plan participants' contributions	949	797
Benefits paid	(4,103)	(2,130)
Fair value of plan assets, end of year	**$ 60,940**	**$ 64,340**

Amounts recognized in the statement of financial position	2022	2021
Defined benefit obligation	$ 53,913	$ 69,175
Fair value of plan assets	60,940	64,340
Excess (deficit)	$ 7,027	$ (4,835)
Net asset (liability)	**$ 7,027**	**$ (4,835)**

Weighted-average assumptions to determine defined benefit cost	2022	2021
Discount rate	3.30%	2.75%
Rate of salary increase	3.00%	3.00%
The average life expectancy (in years) at age 65 at the end of the reporting period:		
Male	22.9	22.8
Female	25.3	25.3

Weighted-average assumptions to determine defined benefit obligation	2022	2021
Discount rate	5.29%	3.23%
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

Plan assets by asset category	2022	2021
Equity securities	46%	48%
Debt securities	37%	41%
Cash and cash equivalents	17%	11%
Total	**100%**	**100%**

The plan's assets do not include any investments in The Portage la Prairie Mutual Insurance Company as of December 31, 2022 and December 31, 2021.

Total employer cash payments for employee future benefits, consisting of cash contributed by the Company to its registered plan were $1,547 (2021: $1,299) and cash payments made for benefits paid under the unfunded

8. Defined benefit obligation (continued)

supplemental plan for 2022 were $1,975 (2021: nil). The expected employer cash payments for the fiscal year ending December 31, 2023 to the registered plan are $1,528 and nil for the supplemental plan.

Maturity Profile

Allocation of defined benefit obligation	**2022**	**2021**
Actives	59%	65%
Deferred vested	4%	1%
Retirees	37%	34%
Total	**100%**	**100%**
Weighted average duration of the defined benefit obligation	**15.3**	**17.8**

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:

	2022	**2021**
Discount rate 1% decrease	8,382	12,566
Future salary increases 1% increase	2,831	5,091
Increase in average life expectancy by 1 year	1,055	1,685

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 $64.

9. Reinsurance

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 $1,100 (2021: $1,100) in the event of a property claim and an amount of $1,500 (2021: $1,500) in the event of a liability claim. In addition, the Company has obtained reinsurance having an upper amount of $150,000 (2021: $150,000). In 2021, 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.

Reinsurance has been recorded in the statement of comprehensive income as follows:

	2022	2021
Gross premiums earned	$ 280,849	$ 253,510
Less earned premiums ceded	42,057	33,278
Net earned premiums	**$ 238,792**	**$ 220,232**

	2022	2021
Gross losses and expenses incurred	$ 178,888	$ 113,068
Less incurred losses and expenses ceded	35,346	11,243
Net claims and adjustment expenses	**$ 143,542**	**$ 101,825**

10. Unearned premiums

Reconciliations of unearned premiums balances for the current and prior periods are as follows:

	2022		2021	
	Gross	**Ceded**	**Gross**	**Ceded**
Balance at the beginning of the period	$ 138,576	$ 12,555	$ 127,909	$ 10,893
Premiums written and ceded during the period	286,025	42,057	262,514	33,278
Less premiums earned in income	277,974	39,181	251,847	31,616
Unearned premiums at the end of the period	**$ 146,627**	**$ 15,431**	**$ 138,576**	**$ 12,555**

11. Deferred policy acquisition expenses

Reconciliations of deferred policy acquisition expenses for the current and prior periods are as follows:

	2022	2021
Balance at the beginning of the period	$ 34,000	$ 30,500
Acquisition expenses incurred during the period	81,815	76,378
Less amortization of acquisition expenses during the period	85,315	72,878
Deferred policy acquisition expenses at the end of the period	**$ 30,500**	**$ 34,000**

12. Provision for unpaid losses

The Company's contract provisions and reinsurance assets as at December 31, 2022 and December 31, 2021 are as follows:

	2022	2021
Gross		
Case reserve provision for outstanding claims	$ 170,298	$ 123,995
Incurred but not reported	23,629	25,889
Provision for unallocated loss adjustment expenses	4,277	2,957
Discounting and provision for adverse deviations	1,118	4,389
Total	**$ 199,322**	**$ 157,230**
Ceded		
Case reserve provision for outstanding claims	$ 33,160	$ 10,776
Incurred but not reported	2,179	2,000
Provision for unallocated loss adjustment expenses	-	-
Discounting and provision for adverse deviations	(267)	(109)
Total	**$ 35,072**	**$ 12,667**
Net		
Case reserve provision for outstanding claims	$ 137,138	$ 113,219
Incurred but not reported	21,450	23,889
Provision for unallocated loss adjustment expenses	4,277	2,957
Discounting and provision for adverse deviations	1,385	4,498
Total	**$ 164,250**	**$ 144,563**

12. Provision for unpaid losses (continued)

The following is a summary of insurance contract liabilities by line of business as at December 31, 2022 and December 31, 2021:

	2022	2021
Gross		
Automobile	$ 91,084	$ 91,749
Property	86,215	43,204
Liability	20,905	17,888
Total undiscounted	198,204	152,841
Discounting and provision for adverse deviations	1,118	4,389
Total discounted insurance contract liabilities	**$ 199,322**	**$ 157,230**
Ceded		
Automobile	$ 3,343	$ 2,957
Property	31,963	9,794
Liability	33	25
Total undiscounted	35,339	12,776
Discounting and provision for adverse deviations	(267)	(109)
Total discounted insurance contract liabilities	**$ 35,072**	**$ 12,667**
Net		
Automobile	$ 87,741	$ 88,792
Property	54,252	33,410
Liability	20,872	17,863
Total undiscounted	162,865	140,065
Discounting and provision for adverse deviations	1,385	4,498
Total discounted insurance contract liabilities	**$ 164,250**	**$ 144,563**

(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 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

12. Provision for unpaid losses (continued)

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 18 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 discount rate determined from the estimated market value based yield to maturity of the Company's own investment portfolio.

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

As at December 31, 2022, the best estimate discount rate, determined from the Company's investment portfolio increased by 290 basis points as compared to December 31, 2021, which resulted in a decrease in the estimated impact of discounting by $7,596.

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% (2021: 2.8%) and net profit for the Company would decrease by $4,137 (2021: $4,009). All other variability in the claims liabilities of the Company's other lines of business are considered to be less material.

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

The provision for unpaid claims and adjustment expenses and related reinsurance recoveries is discounted using rates based on the projected investment income from the assets supporting the provisions, and reflecting the estimated timing of payments and recoveries. The discount rates used are 4.27% for 2022 and 1.80% for 2021 after the investment return rate margin for adverse deviations is applied.

12. Provision for unpaid losses (continued)

(C) PROVISION FOR UNPAID LOSSES BY RISK CATEGORIES:

	December 31, 2022		December 31, 2021	
Type of claim provision	**Gross**	**Ceded**	**Gross**	**Ceded**
Long-settlement term:				
General liability, automobile liability and personal accident	$ 96,835	$ 3,236	$ 99,326	$ 2,980
Facility association and other residual pools	11,313	-	11,198	-
	$ 108,148	$ 3,236	$ 110,524	$ 2,980
Short-settlement term:				
Property and automobile other	91,174	31,836	46,706	9,687
Total	**$ 199,322**	**$ 35,072**	**$ 157,230**	**$ 12,667**

(D) MOVEMENT IN PROVISION FOR UNPAID LOSSES:

Reconciliations of provision for unpaid losses for the current and prior periods are as follows:

	2022		2021	
	Gross	**Ceded**	**Gross**	**Ceded**
Balance at the beginning of the period	$ 157,230	$ 12,667	$ 154,464	$ 10,841
Losses incurred during the period	183,098	35,322	119,281	11,917
Change in the IBNR provision	(2,260)	180	(3,941)	(481)
Change in the ULAE provision	1,320	-	133	-
Change in the estimated impact of discounting including PFAD	(3,271)	(157)	(2,404)	(192)
Less claims paid	136,795	12,940	110,303	9,418
Provision for unpaid losses at the end of the period	**$ 199,322**	**$ 35,072**	**$ 157,230**	**$ 12,667**

12. Provision for unpaid losses (continued)

E) CLAIMS DEVELOPMENT:

The following summarizes claims development of the Company for the past ten years on a gross basis:

Gross

Accident year	Earlier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimated ultimate claims costs												
At end of accident year		$ 141,157	$ 141,921	$ 124,191	$ 117,206	$ 100,392	$ 112,962	$ 112,459	$ 116,050	$ 113,727	$ 171,504	
One year later		136,991	139,506	125,935	118,311	102,422	111,103	110,046	111,895	116,089		
Two years later		136,233	135,540	127,167	118,202	99,962	108,374	109,659	111,093			
Three years later		133,443	134,277	126,050	118,787	97,062	106,789	106,900				
Four years later		134,012	132,697	126,157	115,887	96,427	106,622					
Five years later		133,278	130,081	124,107	115,573	97,071						
Six years later		132,737	128,349	123,723	114,974							
Seven years later		131,919	127,590	123,990								
Eight years later		132,274	127,269									
Nine years later		132,199										
Ten years later												
Current estimate of ultimate claims costs		132,199	127,269	123,990	114,974	97,071	106,622	106,900	111,093	116,089	171,504	
Cumulative payments to date		131,711	126,248	121,034	108,148	91,105	98,135	95,914	94,619	87,610	72,875	
Undiscounted claims liabilities before unallocated loss adjustment expenses (ULAE)		$ 488	$ 1,021	$ 2,956	$ 6,826	$ 5,966	$ 8,487	$ 10,986	$ 16,474	$ 28,479	$ 98,629	
Undiscounted unpaid ULAE		12	26	72	160	145	209	278	413	684	2,228	
Undiscounted claim liabilities including ULAE	$ 2,282	$ 500	$ 1,047	$ 3,028	$ 6,986	$ 6,111	$ 8,696	$ 11,264	$ 16,887	$ 29,163	$ 100,857	$ 186,821
Undiscounted liability in respect of prior years												70
Total all years												186,891
Effect of discounting												1,118
Facility association and other residual pools												11,313
Gross claims liabilities in the statement of financial position												**$ 199,322**

The following summarizes claims development of the Company for the past ten years on a net basis:

Net

Accident year	Earlier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimated ultimate claims costs												
At end of accident year		$ 129,795	$ 132,224	$ 116,469	$ 107,686	$ 93,061	$ 103,608	$ 100,199	$ 105,964	$ 101,263	$ 151,321	
One year later		126,314	129,216	117,659	108,320	94,175	101,335	96,398	102,345	104,219		
Two years later		125,487	125,426	118,334	108,564	92,370	98,613	96,031	101,662			
Three years later		122,778	124,135	117,716	108,247	89,493	97,105	94,551				
Four years later		123,246	122,621	117,516	105,339	88,866	96,823					
Five years later		122,685	120,191	115,853	105,140	89,536						
Six years later		122,226	118,533	115,618	104,447							
Seven years later		121,396	117,783	115,830								
Eight years later		121,772	117,443									
Nine years later		121,602										
Ten years later												
Current estimate of ultimate claims costs		121,602	117,443	115,830	104,447	89,536	96,823	94,551	101,662	104,219	151,321	
Cumulative payments to date		121,129	116,456	113,004	98,873	83,887	88,608	83,962	85,664	78,294	65,916	
Undiscounted claims liabilities before unallocated loss adjustment expenses (ULAE)		$ 473	$ 987	$ 2,826	$ 5,574	$ 5,649	$ 8,215	$ 10,589	$ 15,998	$ 25,925	$ 85,405	
Undiscounted unpaid ULAE		12	26	72	160	145	209	278	413	684	2,228	
Undiscounted claims liabilities including ULAE	$ 1,960	$ 485	$ 1,013	$ 2,898	$ 5,734	$ 5,794	$ 8,424	$ 10,867	$ 16,411	$ 26,609	$ 87,633	$ 167,828
Undiscounted liability in respect of prior years												31
Total all years												167,859
Effect of discounting												1,385
Other liability recoverable from reinsurers												(16,307)
Facility association and other residual pools												11,313
Net claims liabilities in the statement of financial position												**$ 164,250**

13. 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:

	December 31, 2022	December 31, 2021
Lease right-of-use balance at the beginning of the period	$ 3,291	$ 3,671
Additional right-of-use assets recognized in year	-	21
Lease right-of-use asset depreciation recognized in year	(409)	(401)
Lease right-of-use balance at the end of the period	**$ 2,882**	**$ 3,291**

	December 31, 2022	December 31, 2021
Lease liability balance at the beginning of the period	$ 3,697	$ 4,043
Additional lease liabilities recognized in year	-	27
Lease liability principal payments recognized in year	(396)	(373)
Lease liability balance at the end of the period	**$ 3,301**	**$ 3,697**

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:

	December 31, 2022	December 31, 2021
Less than one year	$ 498	$ 520
One to five years	1,846	1,879
More than five years	1,513	1,977
Total contractual undiscounted lease liabilities	**$ 3,857**	**$ 4,376**

	December 31, 2022	December 31, 2021
Current	$ 388	$ 396
Non-current	2,913	3,301
Total discounted lease liabilities	**$ 3,301**	**$ 3,697**

For the period ending December 31, 2022, total cash outflows for leases was $520 (2021: $510). $673 was recognized for operating lease expenses under the general expenses line item in the statement of comprehensive income (2021: $594).

An amendment to the original IFRS 16 standard was made for annual reporting periods on or after June 1, 2020. This amendment allows the practical expedient for lessees to not consider eligible COVID-19 related rent concessions as lease modifications. Instead, the lessor is to account for those changes in payments as a change in consideration. The amendment had no impact to the Company's financial statements as the Company did not receive rent concessions related to COVID-19 in 2022 (2021: nil).

14. 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:

	2022	2021
Provision for income taxes at:		
Statutory marginal income tax rate at 25.9% (2021: 26.2%)	$ (2,698)	$ 15,538
Non-taxable investment income	(617)	(699)
Change in statutory marginal income tax rate	40	10
Other	(221)	(12)
Income tax expense (recovery)	**$ (3,496)**	**$ 14,837**

The components of deferred income tax balances are as follows:

	2022	2021
Deferred income tax assets:		
Unpaid claims	$ 2,127	$ 1,891
Pension plan	-	1,179
Post-employment benefit	463	598
Other	163	106
Deferred income tax assets	2,753	3,774
Deferred income tax liabilities:		
Pension plan	(1,933)	-
Other	(5,062)	(1,717)
Deferred income tax liabilities	(6,995)	(1,717)
Deferred income taxes	**$ (4,242)**	**$ 2,057**

The income tax recognized in other comprehensive income is as follows:

	2022			2021		
	Before tax	Income tax (expense) benefit	Net of tax	Before tax	Income tax (expense) benefit	Net of tax
Actuarial gains (losses) on pension plan	$ 11,213	$ (2,913)	$ 8,300	$ 15,087	$ (3,968)	$ 11,119
Actuarial gains (losses) on post-employment benefit	593	(154)	439	605	(159)	446
Change in unrealized gains (losses) on available-for-sale investments	(22,616)	6,104	(16,512)	(7,563)	1,981	(5,582)
Reclassification of net realized (gains) losses to income	(523)	141	(382)	(89)	23	(66)
	$(11,333)	**$ 3,178**	**$ (8,155)**	**$ 8,040**	**$ (2,123)**	**$ 5,917**

14. Income tax expense (continued)

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

2022	Balance, January 1	Recognized in profit or loss	Recognized directly in equity	Recognized in OCI	Balance, December 31
Unpaid claims	$ 7,217	$ 996	$ -	$ -	$ 8,213
Actuarial gains (losses) on pension plan	4,835	(649)	-	(11,213)	(7,027)
Actuarial gains (losses) on post-employment benefit	2,283	100	-	(593)	1,790
Other	(6,150)	(12,763)	-	-	(18,913)
	$ 8,185	**$ (12,316)**	**$ -**	**$ (11,806)**	**$ (15,937)**

2021	Balance, January 1	Recognized in profit or loss	Recognized directly in equity	Recognized in OCI	Balance, December 31
Unpaid claims	$ 7,181	$ 36	$ -	$ -	$ 7,217
Actuarial gains (losses) on pension plan	17,580	2,342	-	(15,087)	4,835
Actuarial gains (losses) on post-employment benefit	2,744	144	-	(605)	2,283
Other	(5,572)	(578)	-	-	(6,150)
	$ 21,933	**$ 1,944**	**$ -**	**$ (15,692)**	**$ 8,185**

15. 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.

16. 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 $2,682 (2021: $3,204).

The Company has commitments for computer processing and support services expiring in 2041. The total of the future minimum payments for these services is $48,922.

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.

17. 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.

(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.

17. Financial risk management (continued)

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

Gross premiums written by province

	BC	AB	SK	MB	ON	NB	NS	PE	NL	Total
2022										
Automobile	$ -	$ 41,468	$ 643	$ -	$ 28,463	$ 5,815	$ 11,252	$ 2,629	$ -	$ 90,270
Property	816	23,663	6,848	40,660	12,227	5,816	12,460	593	-	103,083
Farm	189	22,978	3,354	27,825	5	20	30	2	-	54,403
Commercial	390	3,123	3,205	7,525	4,322	2,404	5,061	354	-	26,384
Liability	223	1,905	708	3,345	2,697	831	2,017	159	-	11,885
Total	**$ 1,618**	**$ 93,137**	**$ 14,758**	**$ 79,355**	**$ 47,714**	**$ 14,886**	**$ 30,820**	**$ 3,737**	**$ -**	**$286,025**
2021										
Automobile	$ -	$ 29,771	$ 660	$ -	$ 27,180	$ 5,786	$ 13,109	$ 2,645	$ -	$ 79,151
Property	836	21,138	6,644	39,164	12,086	5,481	11,928	577	-	97,854
Farm	111	19,702	3,063	27,319	2	20	17	2	-	50,236
Commercial	405	2,899	2,772	6,341	4,234	2,235	5,096	336	-	24,318
Liability	213	1,671	655	3,149	2,520	718	1,890	139	-	10,955
Total	**$ 1,565**	**$ 75,181**	**$ 13,794**	**$ 75,973**	**$ 46,022**	**$ 14,240**	**$ 32,040**	**$ 3,699**	**$ -**	**$262,514**

(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	**December 31, 2022**		**December 31, 2021**	
AAA	$ 41,258	15%	$ 14,263	5%
AA	61,409	23%	46,588	17%
A	143,857	54%	191,653	70%
BBB	20,104	8%	23,014	8%
Total	**$ 266,628**	**100%**	**$ 275,518**	**100%**

As at December 31, 2022, 92.46% of the Company's fixed income portfolio is rated 'A' or better, compared to 91.65% at December 31, 2021.

17. Financial risk management (continued)

As at December 31, 2022, financial assets of $367,141 (2021: $367,962) 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.

(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 December 31, 2022					
Bonds and debentures	$ 44,565	$ 204,526	$ 17,537	$ -	$ 266,628
As at December 31, 2021					
Bonds and debentures	$ 28,781	228,524	$ 12,171	$ 6,042	$ 275,518

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, 2022.

(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.

As at December 31, 2022, 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 $5,621 (2021: $7,156), representing 2.34% of the $240,215 (2021: 2.61% of the $274,172) fair value fixed income securities portfolio, and decrease the value of net unpaid claims reserves by $3,285 (2021: $2,891). The net result would be a decrease in equity of $2,336 (2021: $4,265). 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.

17. Financial risk management (continued)

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 $7,759 (2021: $9,111).

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

Fair value

Carrying value of accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. The carrying value of held-to-maturity bonds and debentures and other invested assets approximates fair value.

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.

17. Financial risk management (continued)

Financial assets measured at fair value are categorized as follows:

	Level 1	Level 2	Level 3	Total
As at December 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**
As at December 31, 2021				
Bonds and debentures				
Canadian government	$ -	$ 3,145	$ -	$ 3,145
Provincial	-	66,968	-	66,968
Corporate	-	204,059	-	204,059
Equity investments				
Canadian	80,691	1,047	-	81,738
Foreign	13,259	-	-	13,259
Total assets measured at fair value	**$ 93,950**	**$ 275,219**	**$ -**	**$ 369,169**

In 2022, $13,714 of Canadian government bonds and debentures, $11,777 of provincial bonds and debentures and $910 of Canadian equity investments were transferred from level 2 to level 1. In 2021, no transfers occurred between any of the levels.

18. Capital management

Capital is comprised of the Company's earned surplus and accumulated other comprehensive income (AOCI). As at December 31, 2022, the Company's earned surplus was $237,479 (2021: $242,960) and AOCI was ($8,554) (2021: ($399)). 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, 2022, the Company had a MCT ratio of 363% (2021: 405%) and aggregate available capital in excess of required capital by approximately $131,655 (2021: $152,588).

19. 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.

	2022	2021
Revenue		
Interest income	$ 2	$ -
Expenses		
Commissions	$ 2,404	$ 2,157

(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AMOUNTS:

	2022	2021
Accounts receivable	$ 327	$ 89

(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 2022 were $5,226 (2021: $1,757).

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 2022 or 2021.

The Company sells insurance contracts to senior management and directors. This amounted to $41 in 2022 (2021: $27).

20. 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, 2022 and December 31, 2021.

	December 31, 2022	December 31, 2021
Assets		
Investments	$ 226,799	$ 251,880
Reinsurers' share of provision for unpaid losses	8,336	4,990
Liabilities		
Provision for unpaid losses	$ 94,386	$ 84,429

21. Rate regulation

The Company is subject to rate regulation with respect to its automobile insurance business, which comprises approximately 33% (2021: 31%) 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, 2022 and 2021, 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.*