CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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HOWICK
MUTUAL INSURANCE COMPANY

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2022

The accompanying consolidated financial statements and all other information contained in this annual report are the responsibility of the management of Howick Mutual Insurance Company. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (including the accounting requirements of the Financial Services Regulatory Authority of Ontario) and have been approved by the Board of Directors.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of Howick Mutual Insurance Company, which includes adherence by all employees to the company's Code of Conduct. Management maintains a system of internal accounting controls to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgements.

The Audit & Finance Committee and the Board of Directors review and approve the annual consolidated financial statements. In addition, the Audit & Finance Committee meets periodically with financial officers of Howick Mutual Insurance Company and the external auditors, and reports to the Board of Directors thereon. The Audit & Finance Committee and Board of Directors also review the annual report in its entirety.

The accompanying consolidated financial statements have been audited by Graham Mathew Professional Corporation, authorized to practise public accounting by the Chartered Professional Accountants of Ontario, who are engaged by the Board of Directors and whose appointment was ratified at the annual meeting of the policyholders. The auditors have access to the Audit & Finance Committee, without management present, to discuss the results of their work. Their report dated February 22, 2023 expresses their unmodified opinion on the Company's 2022 consolidated financial statements.

Kevin Inglis, CIP	Shawn Cottrill, CPA, CGA, BBS
President & CEO	Finance Manager & Corporate Treasurer

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Graham Mathew

INDEPENDENT AUDITORS' REPORT

To the Policyholders of
Howick Mutual Insurance Company

Opinion

We have audited the accompanying consolidated financial statements of **Howick Mutual Insurance Company** (the Company), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of comprehensive income, policyholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company 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.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of **Howick Mutual Insurance Company** for the year ended December 31, 2021 were audited by another auditor who expressed an unqualified opinion on these consolidated financial statements on February 24, 2022.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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

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

Graham Mathew Professional Corporation

Cambridge, Ontario
February 22, 2023

Chartered Professional Accountants, authorized to practise public accounting by the Chartered Professional Accountants of Ontario

HOWICK
MUTUAL INSURANCE COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	2022	2021
	$	$
ASSETS		
Cash (note 15)	**3,153,812**	2,974,769
Investments (note 3)	**31,493,771**	32,682,884
Due from policyholders	**6,838,210**	6,389,629
Investment income accrued	**118,656**	112,940
Due from reinsurer (note 5)	**35,562**	170,024
Reinsurer's share of provision for unpaid claims (note 5)	**6,191,526**	7,476,018
Other assets	**260,885**	195,740
Income taxes recoverable	**931,847**	
Deferred policy acquisition expenses (note 5)	**2,468,068**	2,328,465
Deferred income taxes	**228,000**	162,390
Property, plant and equipment and intangible assets (note 4)	**4,101,552**	4,264,621
	55,821,889	56,757,480
LIABILITIES		
Provision for unpaid claims (note 5)	**17,480,497**	16,757,422
Unearned premiums (note 5)	**13,748,907**	12,971,425
Accounts payable and accrued liabilities	**1,673,600**	1,619,464
Income taxes payable		681,255
	32,903,004	32,029,566
POLICYHOLDERS' EQUITY		
Policyholders' equity (page 5)	**22,918,885**	24,727,914
	55,821,889	56,757,480

APPROVED BY THE BOARD:

Brian Laporte

Brian Laporte, Director

Jacquie Bishop

Jacquie Bishop, Director

The explanatory financial notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2022

	2022	2021
	$	$
Gross premiums written	**28,339,698**	26,230,063
Deduct		
Reinsurance premiums	**5,247,015**	4,603,304
Increase in reserve for unearned premiums	**777,482**	739,148
	6,024,497	5,342,452
Net premiums earned	**22,315,201**	20,887,611
Service charge revenue	**271,632**	273,137
Net underwriting revenue	**22,586,833**	21,160,748
Direct losses incurred		
Gross claims and adjusting expenses	**16,482,622**	16,313,323
Reinsurer's share of claims and adjusting expenses	**(2,422,797)**	(4,390,442)
	14,059,825	11,922,881
Expenses		
Fees, commissions and other acquisition expenses (note 9)	**5,817,483**	5,350,388
Other operating and administrative expenses (note 8)	**2,838,349**	2,493,370
	8,655,832	7,843,758
Underwriting income (loss)	**(128,824)**	1,394,109
Community support	**(37,550)**	(51,850)
Investment and other income (loss) (note 10)	**(2,361,367)**	1,808,344
Income (loss) before income taxes	**(2,527,741)**	3,150,603
Income tax recovery (expense)		
Current (note 6)	**653,102**	(681,255)
Deferred	**65,610**	(133,177)
	718,712	(814,432)
Net income (loss), being total comprehensive income (loss) for year	**(1,809,029)**	2,336,171

CONSOLIDATED STATEMENT OF POLICYHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2022

Balance at beginning of year	**24,727,914**	22,391,743
Net income (loss), being total comprehensive income (loss) for year	**(1,809,029)**	2,336,171
Balance at end of year	**22,918,885**	24,727,914

The explanatory financial notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022 **$**	2021 $
Cash flows from operating activities:		
Net income (loss), being total comprehensive income (loss) for year	**(1,809,029)**	2,336,171
Items not involving cash:		
Depreciation and amortization	**202,276**	218,965
Deferred income taxes	**(65,610)**	133,177
Loss (gain) on disposal of investments	**414,369**	(406,472)
Unrealized losses (gains) on investments	**2,667,208**	(845,178)
	1,409,214	1,436,663
Net change in non-cash working capital balances relating to operations:		
Due from policyholders and reinsurers	**970,373**	(3,366,708)
Other assets	**(65,145)**	(80,553)
Deferred policy acquisition expenses	**(139,603)**	(138,666)
Accounts payable and accrued liabilities	**54,136**	46,721
Income taxes	**(1,613,102)**	681,255
Provision for unpaid claims	**723,075**	4,184,508
Unearned premiums	**777,482**	739,148
	2,116,430	3,502,368
Cash flows from investment activities:		
Investment income due and accrued	**(5,716)**	(14,285)
Sale of investments	**4,976,623**	4,171,164
Purchase of investments	**(6,869,087)**	(7,064,715)
Net additions to property plant and equipment and intangible assets	**(39,207)**	(30,408)
	(1,937,387)	(2,938,244)
Net increase in cash	**179,043**	564,124
Cash position, beginning of year	**2,974,769**	2,410,645
Cash position, end of year	**3,153,812**	2,974,769

The explanatory financial notes form an integral part of these financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

(a) Reporting entity

Howick Mutual Insurance Company (the Company) is incorporated under the laws of Ontario and is subject to the Ontario Insurance Act. It is licensed to write property, liability, automobile and farmers' accident insurance in Ontario. The Company's head office is located at 40592 Amberley Road, RR#4, Wingham, Ontario, N0G 2W0.

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

These consolidated financial statements have been authorized for issue by the Board of Directors on February 22, 2023.

(b) Basis of presentation

These consolidated financial statements include the results of operations and financial position of the company and its wholly-owned subsidiary companies, 2518333 Ontario Inc., the subsidiary that holds the real estate for the company and operates out of the Wingham location, and 100219586 Ontario Inc., which was incorporated during fiscal 2022. All inter-company transactions and balances have been eliminated.

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

These consolidated financial statements were prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

The Company's functional and presentation currency is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

(c) Insurance contracts

In accordance with IFRS 4, Insurance Contracts, the Company has continued to apply the accounting policies it applied in accordance with pre-changeover Canadian GAAP.

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

(c) Insurance contracts (continued)

Balances arising from insurance contracts primarily include unearned premiums, provisions for unpaid claims and adjustment expenses, the reinsurer's share of unpaid claims and adjustment expenses, deferred policy acquisition expenses, and subrogation recoverable.

(i) Premiums and unearned premiums

Premiums written comprise the premiums on contracts incepting in the financial year. Premiums written are stated gross of commissions payable to agents and brokers and exclusive of taxes levied on premiums. The Company earns premium income evenly over the term of the insurance policy generally using the pro rata method. The portion of the premium related to the unexpired portion of the policy at the end of the fiscal year is reflected in unearned premiums.

(ii) Reinsurance

The company reflects reinsurance balances on the statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policyholders and in the statement of comprehensive income to indicate the results of its retention of premiums written.

Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts. A contingent liability exists with respect to reinsurance ceded which could become a liability of the Company in the event that the reinsurer might be unable to meet its obligation under the reinsurance agreements. The Company ascertained that no provision is necessary at December 31 for doubtful collection of reinsurance recoveries.

(iii) Deferred policy acquisition expenses

Acquisition costs are comprised primarily of brokers' commissions. These costs are deferred and amortized over the terms of the related policies to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses.

(iv) Provisions for unpaid claims and adjustment expenses

Individual loss estimates are provided on each claim reported. In addition, provisions are made for adjustment expenses, claims development, changes in reported claims and for claims incurred but not reported, based on past experience and business in force. The estimates are regularly reviewed and updated, and any resulting adjustments are included in current income.

Claim liabilities are carried on a discounted basis.

(v) Liability adequacy test

As required, the Company performs a liability adequacy test on its insurance liabilities less deferred policy acquisition expenses to ensure the carrying value is adequate, using current estimates of future cash flows, taking into account the relevant investment return. If that assessment shows that the carrying amount of the liabilities is inadequate, any deficiency is recognized as an expense in the statement of comprehensive income initially by writing off the deferred policy acquisition expense and subsequently by recognizing additional unearned premiums.

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

(c) Insurance contracts (continued)

(vi) Reinsurer's share of provisions for unpaid claims and adjustment expenses

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

Expected reinsurance recoveries on unpaid claims and adjustment expenses are recognized as assets at the same time and using principles consistent with the Company's method for establishing the related liability.

(vii) Salvage and subrogation recoverable

In the normal course of business, the Company obtains the ownership of damaged property, which they resell to various salvage operations. Unsold property is valued at its estimated net realizable value.

Where the Company indemnifies policyholders against a liability claim, it acquires rights to subrogate its claim against other parties. These claims are reflected at amounts expected to be received from the subrogated parties net of related costs.

(viii) Refund from premium

Under the discretion of the Board of Directors, the Company may declare a refund to its policyholders based on the premiums paid in the fiscal period. This refund is recognized as a reduction of revenue in the period for which it is declared. No refund was declared in fiscal 2022 or 2021.

(d) Structured settlements, Fire Mutual Guarantee Fund and financial guarantee contracts

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

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

The Company is also a member of the Farm Mutual Re, which is a general reinsurer that shares in the insurance risks originally accepted by member insurance companies. As a member of the plan, the Company may be required to contribute additional capital in the form of subordinated debt should the plan's capital fall below a prescribed minimum

These exposures represent financial guarantee contracts. The Company accounts for financial guarantee contracts in accordance with IFRS 4, Insurance Contracts.

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

(e) Financial instruments

The Company measures its financial assets at either fair value through profit or loss (FVTPL) or amortized cost.

The Company classifies its debt instruments and bonds as FVTPL because the Company manages the debt instruments and evaluates their performance on a fair value basis in accordance with a documented investment strategy and the instruments are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Company measures its investment in Collectivfide at amortized cost as it is considered as held to collect.

The Company's mutual funds are redeemable at the option of the holder and therefore considered debt instruments under IFRS 9 that do not give rise to cash flows that are solely payments of principal and interest and therefore are classified as FVTPL.

The Company classifies its equity instruments at FVTPL.

The debt and equity instruments are subsequently measured at fair value where the net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognized in profit or loss.

Financial assets measured at FVTPL are initially measured at fair value with directly attributable transaction costs recognized in profit or loss. Financial assets measured at cost are initially measured at fair value plus directly attributable transaction costs.

Financial liabilities are initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument, and are subsequently carried at amortized cost using the effective interest rate method.

(f) Impairment of financial instruments

The Company is required to recognize loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

The credit risk for amounts receivable and investments is determined to be low, therefore the Company measures the loss allowance as the portion of ECLs that result from default events that are possible within the twelve months after the reporting date.

The Company has determined that there are no material twelve-month ECLs on its bonds, therefore no loss allowance is recorded for these investments.

(g) Facility Association

As a member of the Facility Association, the Company records its proportionate share of the Association's revenue, expenses, unearned premiums and provision for unpaid claims.

1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

(h) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in policyholders' equity.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities / (assets) are settled / (recovered).

(i) Pension plan

The Company participates in a multi-employer defined benefit pension plan, however, sufficient information is not available to use defined benefit accounting. Therefore, the Company accounts for the plan as if it were a defined contribution plan, recognizing contributions as an expense in the year to which they relate.

(j) Standards, amendments and interpretations not yet effective

Certain new standards, amendments and interpretations have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2023 or later periods that the Company has decided not to adopt early.

Of those new standards, interpretations and amendments that are not yet effective, IFRS 17 Insurance Contracts is expected to have a material impact on the Company's consolidated financial statements in the period of initial application.

- IFRS 17 Insurance Contracts supersedes IFRS 4 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 requires entities to measure insurance contract liabilities using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires entities to recognize profits as it delivers insurance services. The effective date for IFRS 17 is January 1, 2023.

2. Critical Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain critical estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving critical judgements and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are:

- The calculation of unpaid claims and reinsurer's share, including the determination of the initial claim liability, discount rates, and the estimate of time until ultimate settlement;
- The determination of the recoverability of deferred policy acquisition expenses (Note 5); and
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.

3. Investment Information

The following table provides cost and fair value information of investments by type of security and issuer. The maximum exposure to credit risk would be the fair value as shown below.

	2022		2021	
	Cost	**Fair Value**	Cost	Fair Value
	$	**$**	$	$
Bonds issued by				
Federal	**5,647,081**	**5,101,190**	4,456,994	4,375,830
Provincial	**8,482,404**	**7,958,024**	8,918,612	8,925,516
Collectivfide	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Corporate A, AA or AAA	**4,756,502**	**4,439,519**	4,551,709	4,514,066
Corporate BBB and other	**4,339,411**	**4,075,406**	4,100,741	4,109,738
	24,225,398	**22,574,139**	23,028,056	22,925,150
Equity investments				
Canadian	**2,198,821**	**2,979,267**	2,005,015	2,866,017
United States	**1,779,690**	**2,584,348**	1,316,715	3,462,183
Canadian private companies	**1,500,000**	**1,850,233**	1,520,000	1,791,754
	5,478,511	**7,413,848**	4,841,730	8,119,954
Mutual funds	**988,404**	**1,463,054**	988,404	1,595,213
Other investments				
Fire Mutual guarantee fund	**42,729**	**42,729**	42,566	42,566
MCCG Inc.	**1**	**1**	1	1
	30,735,043	**31,493,771**	28,900,757	32,682,884

The Company has determined that there are no material twelve-month expected credit losses on investments measured at amortized cost, therefore no loss allowance has been recorded.

Maturity profile of bonds, debentures and guaranteed investment certificates held is as follows:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Fair Value
December 31, 2022	**3,666,714**	**13,291,814**	**5,615,611**	**NIL**	**22,574,139**
Percent of Total	**16 %**	**59 %**	**25 %**	**0 %**	
December 31, 2021	1,267,342	13,324,222	8,333,586	NIL	22,925,150
Percent of Total	6 %	58 %	36 %	0 %	

3. Investment Information (Continued)

The following table provides an analysis of the investments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2022	Level 1 $	Level 2 $	Level 3 $	**Total** **$**
Bonds		22,574,139		**22,574,139**
Equities	5,563,615		1,850,233	**7,413,848**
Mutual funds	1,463,054			**1,463,054**
Other investments		42,730		**42,730**
Total investments measured at fair value	7,026,669	22,616,869	1,850,233	**31,493,771**

December 31, 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Bonds		22,925,150		22,925,150
Equities	6,328,200		1,791,754	8,119,954
Mutual funds	1,595,213			1,595,213
Other investments		42,567		42,567
Total investments measured at fair value	7,923,413	22,967,717	1,791,754	32,682,884

There were no transfers between any levels of the fair value hierarchy years ended December 31, 2022 and 2021.

Reconciliation of Level 3 financial instruments

	2022 **$**	2021 $
Balance, beginning of year	**1,791,754**	1,520,000
Fair value adjustment	**58,479**	271,754
Balance, end of year	**1,850,233**	1,791,754

The fair value of the investment in the Canadian private companies fluctuates based on the value of the underlying net assets held by the private companies. At December 31, 2022, the change in measurement inputs would not result in a material adjustment to the Company's investment.

4. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recognized in net income and is provided over the estimated useful lives of the assets using the straight-line method.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

Intangible assets consist of computer software which are not integral to the computer hardware owned by the company. Software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. The amortization expense in the amount of $202,276 is allocated between other operating and administrative expenses and claims expenses in the statement of comprehensive income and is provided over the estimated useful life of the asset.

		2022		
	Depreciation rate	**Cost $**	**Accumulated Depreciation $**	**Net Book Value $**
Land		**372,741**		**372,741**
Buildings and improvements	**40 years**	**3,771,329**	**203,715**	**3,567,614**
Computer hardware	**3 years**	**281,282**	**236,469**	**44,813**
Furniture and fixtures	**5 years**	**370,242**	**297,902**	**72,340**
Vehicles	**5 years**	**134,684**	**92,479**	**42,205**
Computer software	**3 years**	**2,006**	**167**	**1,839**
		4,932,284	**830,732**	**4,101,552**

		2021		
	Depreciation rate	Cost	Accumulated Depreciation	Net Book Value
Land		372,741		372,741
Buildings and improvements	40 years	3,771,329	152,557	3,618,772
Computer hardware	3 years	244,082	183,981	60,101
Furniture and fixtures	5 years	370,242	223,852	146,390
Vehicles	5 years	134,684	68,067	66,617
		4,893,078	628,457	4,264,621

The unamortized cost of capital assets available to reduce net income for income tax purposes amounts to approximately $3,968,000 ($4,040,600 in 2021).

	2022 $	2021 $
5. Insurance Contracts		
Due From Reinsurer		
Balance, beginning of year	**170,024**	NIL
Submitted to reinsurer	**3,707,289**	1,513,478
Received from reinsurer	**(3,841,751)**	(1,343,454)
Balance, end of year	**35,562**	170,024

All of the above amounts are expected to be settled within one year. At year-end, the company reviewed the amounts owing from its reinsurer and determined that no loss allowance is necessary.

	2022 $	2021 $
Reinsurer's Share of Provision For Unpaid Claims		
Balance, beginning of year	**7,476,018**	4,599,054
New claims reserve	**1,576,832**	4,070,008
Change in prior years reserve	**845,965**	320,434
Submitted to reinsurer	**(3,707,289)**	(1,513,478)
Balance, end of year	**6,191,526**	7,476,018
Expected settlement		
Within one year	**823,443**	2,950,340
More than one year	**5,368,083**	4,525,678
	6,191,526	7,476,018

	2022 $	2021 $
Deferred Policy Acquisition Expenses		
Balance, beginning of year	**2,328,465**	2,189,799
Acquisition costs incurred	**5,865,170**	5,404,885
Expense recognized as a result of liability adequacy tests	**NIL**	NIL
Expensed during the year	**(5,725,567)**	(5,266,219)
Balance, end of year	**2,468,068**	2,328,465

Deferred policy acquisition expenses will be recognized as an expense within one year.

5. **Insurance Contracts (Continued)**	**2022 $**	2021 $
Unearned Premiums (UEP)		
Balance, beginning of year	**12,971,425**	12,232,277
Premiums written	**28,339,698**	26,230,063
Premiums earned during year	**(27,562,216)**	(25,490,915)
Changes in UEP recognized in income	**777,482**	739,148
Balance, end of year	**13,748,907**	12,971,425

Insurance Contract Provisions and Related Reinsurance Assets

The following is a summary of the insurance contract provisions and related reinsurance assets:

December 31, 2022	Gross $	Re-insurance $	**Net $**
Outstanding claims provision			
Long settlement term	8,428,027	3,516,083	**4,911,944**
Short settlement term	4,075,979	823,443	**3,252,536**
Facility Association and other residual pools	360,491		**360,491**
Internal adjusting expense	596,000		**596,000**
	13,460,497	4,339,526	**9,120,971**
Provisions for claims incurred but not reported	4,020,000	1,852,000	**2,168,000**
Balance, end of year	17,480,497	6,191,526	**11,288,971**
December 31, 2021			
Outstanding claims provision			
Long settlement term	6,339,307	2,673,678	3,665,629
Short settlement term	5,730,316	2,950,340	2,779,976
Facility Association and other residual pools	344,799		344,799
Internal adjusting expense	323,000		323,000
	12,737,422	5,624,018	7,113,404
Provisions for claims incurred but not reported, net	4,020,000	1,852,000	2,168,000
Balance, end of year	16,757,422	7,476,018	9,281,404

Comments and Assumptions For Specific Claims Categories

The ultimate cost of long settlement general liability claims are difficult to predict for several reasons. Claims may not be reported until many years after a policy expires. Changes in the legal environment have created further complications. Court decisions and federal and provincial legislation may dramatically increase the liability between the time a policy is written and associated claims are ultimately resolved. For example, liability for exposure to toxic substances and environmental impairment, which did not appear likely or even exist when the policies were written, has been imposed by legislators and judicial interpretation. Tort liability has been expanded by some jurisdictions to cover defective workmanship. Provisions for such difficult-to-estimate liabilities are established by examining the facts of tendered claims and adjusted in the aggregate for ultimate loss expectations based upon historical experience patterns and current socioeconomic trends.

5. Insurance Contracts (Continued)

Comments and Assumptions For Specific Claims Categories (Continued)

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

Claims and Adjustment Expenses

Changes in claim liabilities recorded in the statement of financial position for the years ended December 31, 2022 and 2021 and their impact on claims and adjustment expenses for the two years are as follows:

	2022 **$**	2021 $
Unpaid claim liabilities, beginning of year, net of reinsurance	**9,281,404**	7,973,860
Change in estimated losses and expenses, for losses occurring in prior years	**573,466**	502,101
Provision for losses and expenses on claims occurring in the current year	**11,110,607**	9,381,350
Increase in provision for claims incurred but not reported		402,000
Increase (decrease) in provision for internal adjusting expenses	**273,000**	(267,000)
Payment on claims:		
Current year	**(6,987,060)**	(6,733,622)
Prior years	**(2,962,446)**	(1,977,285)
Unpaid claim liabilities, end of year, net of reinsurance	**11,288,971**	9,281,404
Reinsurer's share and subrogation recoverable	**6,191,526**	7,476,018
Unpaid gross claims, end of year	**17,480,497**	16,757,422

The change in estimate of losses occurring in prior years is due to changes arising from new information received.

Claim Development

The estimation of claim development involves assessing the future behaviour of claims, taking into consideration the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises and historical delays in reporting claims. In general, the longer the term required for the settlement of a group of claims the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported.

The tables that follow present the development of claims payments and the estimated ultimate cost of claims for the claim years 2013 to 2022. The upper half of the tables show the cumulative amounts paid or estimated to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

5. Insurance Contracts (Continued)

Gross Claims	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
Gross estimate of cumulative claims cost											
At the end year of claim	7,945,034	10,843,284	12,227,881	8,340,426	12,906,408	11,763,294	10,973,236	10,306,751	13,451,358	12,687,440	
One year later	7,354,057	11,126,344	11,765,681	7,898,728	13,546,495	11,254,308	10,970,294	10,396,936	14,114,806		
Two years later	7,527,467	11,080,905	11,596,106	7,933,967	14,011,330	11,285,395	11,320,679	10,930,513			
Three years later	7,475,765	10,486,127	11,525,800	7,722,382	13,685,243	11,319,271	11,437,536				
Four years later	7,226,323	10,388,279	11,459,888	7,696,066	13,772,811	11,314,319					
Five years later	7,200,241	10,326,033	11,598,831	7,733,461	13,945,576						
Six years later	7,186,177	10,326,033	11,595,309	7,805,878							
Seven years later	6,939,832	10,326,033	11,231,877								
Eight years later	6,967,832	10,326,033									
Nine years later	7,197,717										
Current estimate of cumulative claims cost	7,197,717	10,326,033	11,231,877	7,805,878	13,945,576	11,314,319	11,437,536	10,930,513	14,114,806	12,687,440	
Cumulative payments	6,241,889	10,326,033	10,164,306	7,649,031	13,355,152	11,092,805	10,489,605	9,688,688	12,637,899	7,025,720	
Outstanding claims	955,828		1,067,571	156,847	590,424	221,514	947,931	1,241,825	1,476,907	5,661,720	12,320,567
Outstanding claims 2012 and prior											183,439
Incurred but not reported											4,020,000
Facility association and risk sharing pool											360,491
Internal adjusting expense											596,000
Total gross outstanding claims and claims handling expenses											17,480,497

5. Insurance Contracts (Continued)

Net Claims	2013 $	2014 $	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	Total $
Net estimate of cumulative claims cost											
At the end year of claim	6,579,598	8,409,674	8,083,942	7,300,599	9,566,312	9,695,778	9,048,306	9,380,935	9,381,350	11,110,606	
One year later	6,265,350	8,353,096	7,963,658	7,117,668	9,926,783	9,364,090	9,425,372	9,392,153	9,257,710		
Two years later	6,432,824	8,101,657	7,749,968	7,222,100	10,388,762	9,395,176	9,657,613	9,923,363			
Three years later	6,381,122	8,170,048	7,709,661	7,010,515	10,114,600	9,429,053	9,769,470				
Four years later	6,138,911	8,072,200	7,637,780	6,984,199	10,143,350	9,424,101					
Five years later	6,112,829	8,009,954	7,707,124	7,021,594	10,224,464						
Six years later	6,083,765	8,009,954	7,713,797	7,094,011							
Seven years later	6,083,765	8,009,954	7,620,391								
Eight years later	6,083,765	8,009,954									
Nine years later	6,083,765										
Current estimate of cumulative claims cost	6,083,765	8,009,954	7,620,391	7,094,011	10,224,464	9,424,101	9,769,470	9,923,363	9,257,710	11,110,606	
Cumulative payments	6,005,856	8,009,954	7,596,900	6,937,164	9,839,336	9,202,587	8,968,308	8,684,164	8,305,465	6,987,060	
Outstanding claims	77,909		23,491	156,847	385,128	221,514	801,162	1,239,199	952,245	4,123,546	7,981,041
Outstanding claims 2012 and prior											183,439
Incurred but not reported											2,168,000
Facility association and risk sharing pool											360,491
Internal adjusting expense											596,000
Total net outstanding claims and claims handling expenses											11,288,971

6. Income Taxes

Reasons for the difference between current tax expense for the year and the expected income taxes based on the statutory tax rate of 26.4% (26.4% in 2021) are as follows:

	2022 $	2021 $
Income (loss) before income taxes	**(2,527,742)**	3,150,603
Expected taxes based on the statutory rate of 26.4% (26.4% in 2021)	**(667,324)**	831,759
Claims reserves timing differences	**25,358**	(138,736)
Other non deductible expenses	**2,654**	2,222
Difference between depreciation and capital cost allowance	**620**	11,298
Other non taxable income	**(27,592)**	(25,288)
Adjustment relating to prior year taxes	**13,182**	
Total income tax expense (recovery)	**(653,102)**	681,255

At December 31, 2022, a deferred tax asset of $228,000 ($162,390 in 2021) has been recorded. The utilization of this asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered in future years.

7. Salaries, Benefits and Directors Fees

Total benefits	**521,915**	488,590
Total salaries and directors fees	**2,067,486**	1,993,351
	2,589,401	2,481,941

8. Other Operating and Administrative Expenses

Salaries and directors fees	**1,353,657**	1,266,330
Benefits	**338,991**	309,348
Information technology	**404,921**	309,238
Depreciation and amortization	**121,365**	131,381
Licenses, fees and dues	**37,293**	42,668
Postage and office supplies	**41,887**	42,393
Professional fees	**60,520**	45,278
Bank and credit card charges	**92,339**	79,146
Insurance	**47,311**	23,240
Occupancy costs	**125,065**	115,859
Advertising and promotion	**157,261**	97,280
Other	**57,739**	31,209
	2,838,349	2,493,370

	2022 $	2021 $

9. Fees, Commissions and Other Acquisition Expenses

	2022 $	2021 $
Commissions	**5,725,567**	5,266,219
Premium Taxes	**91,916**	84,169
	5,817,483	5,350,388

10. Investment and Other Income (Loss)

	2022 $	2021 $
Interest and foreign income	**735,665**	587,109
Dividend income	**104,515**	92,762
Realized gains (losses) on disposal of investments	**(414,369)**	406,472
Increase (decrease) in market value of investments	**(2,667,208)**	845,178
Investment expense	**(121,633)**	(124,853)
Other	**1,663**	1,676
	(2,361,367)	1,808,344

11. Related Party Transactions

The Company entered into the following transactions with key management personnel, which are defined by IAS 24, Related Party Disclosures, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, management and their family members as defined by IAS 24:

	2022 $	2021 $
Compensation		
Salaries, benefits and director's fees	**959,049**	855,928
Total pension and other post-employment benefits	**113,210**	106,632
	1,072,259	962,560
Premiums	**137,161**	132,977
Claims paid	**2,600**	(130)

12. Capital Management

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

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (MCT). The regulators generally expect property and casualty companies to comply with capital adequacy requirements. This test compares a Company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors that are dependent on the risks associated with the Company's assets. Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest-sensitive assets and liabilities to changes in interest rates. The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and if deemed necessary.

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

13. Financial Instrument and Insurance Risk Management

Insurance risk management

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risk mitigation program. Retention limits for the excess-of-loss reinsurance vary by product line.

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

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

The Company manages this risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Automobile premiums are subject to approval by the Financial Services Regulatory Authority of Ontario and therefore may result in a delay in adjusting the pricing to exposed risk. Reinsurance is purchased to mitigate the effect of the potential loss to the Company.

13. Financial Instrument and Insurance Risk Management (Continued)

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of $480,000 in the event of a property claim, an amount of $480,000 in the event of an automobile claim, and an amount of $480,000 in the event of a liability claim. The Company also obtained reinsurance which limits the Company's liability to $960,000 in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% of net earned premiums.

The Company is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses and expected profit in relation to unearned premiums. There was no premium deficiency at December 31, 2022 or 2021

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims occurrence, expected loss ratios and claims development as described in note 5.

The table below sets out the concentration of unpaid claims and adjustment expenses by class of insurance:

	December 31, 2022			December 31, 2021		
	Gross Claims $	**Reinsurance Of Claims $**	**Net Claims $**	Gross Claims $	Reinsurance Of Claims $	Net Claims $
Property	**5,468,646**	**2,065,462**	**3,403,184**	4,987,322	2,821,426	2,165,896
Liability	**5,936,880**	**2,194,415**	**3,742,465**	6,230,308	2,553,762	3,676,546
Automobile	**6,074,971**	**1,931,649**	**4,143,322**	5,539,792	2,100,830	3,438,962
	17,480,497	**6,191,526**	**11,288,971**	16,757,422	7,476,018	9,281,404

Results of sensitivity testing based on expected loss ratios are as follows, shown gross and net of reinsurance as impact on pre-tax income:

	Property claims		Auto claims		Liability claims	
	2022 $	2021 $	**2022 $**	2021 $	**2022 $**	2021 $
5% increase in loss ratios						
Gross	**(919,921)**	(842,389)	**(370,119)**	(335,632)	**(126,945)**	(123,766)
Net	**(747,607)**	(719,959)	**(305,957)**	(297,645)	**(101,070)**	(97,063)
5% decrease in loss ratios						
Gross	**919,921**	842,389	**370,119**	335,632	**126,945**	123,766
Net	**747,607**	719,959	**305,957**	297,645	**101,070**	97,063

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

13. Financial Instrument and Insurance Risk Management (Continued)

Credit risk

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

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The bond portfolio remains very high quality with 82% of the bonds rated A or better. The Company's investment policy limits investment in bonds and debentures of the various ratings to limits ranging from 67% to 97% of the Company's portfolio. Funds should be invested in bonds and debentures of Federal, Provincial or Municipal Government and corporations rated BBB or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

The Company continues to monitor investments for credit ratings to ensure investments are made in bonds BBB or better.

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the credit-worthiness of Farm Mutual Re by reviewing their annual consolidated financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

Amounts receivable are short-term in nature and are not subject to material credit risk.

The maximum exposure to credit risk and concentration of this risk is outlined in note 3.

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the Ontario Insurance Act. An investment policy is in place and its application is monitored by management and the Audit and Finance Committee. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 5% (except government sponsored bonds) of the company's total assets.

a) Currency risk

Currency risk relates to the company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Company's currency risk is related to stock holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 10% of the total investment portfolio in accordance with its investment policy. A 1% change in the value of the United States dollar would affect the fair value of these equities by approximately $37,500 ($22,800 in 2021), which would be reflected in the statement of comprehensive income.

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

13. Financial Instrument and Insurance Risk Management (Continued)

Market risk (continued)

b) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The Company is exposed to this risk through its interest bearing investments, which include Bankers acceptance, T-bills, GICs ands bonds.

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally, the Company's investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses in net income. There are no occurrences where interest would be charged on liabilities; therefore, little protection is needed to ensure the fair market value of assets will be offset by a similar change in liabilities due to an interest rate change.

The objective, policies and procedures for managing interest rate risk is to diversify the bond and guaranteed investment portfolio in such a way that this portfolio is laddered over a period of years. This protects the Company from fluctuations in interest rates.

At December 31, 2022, a 1% move in interest rates, with all other variables held constant, could impact the market value of interest bearing bond investments by approximately $805,800 ($1,008,000 in 2021).

There have been no significant changes from the previous period in the exposure to risk, nor any significant changes to policies, procedures and methods used to measure the risk.

c) Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets.

The Company is exposed to equity risk through its portfolio of Canadian and US stocks. At December 31, 2022, a 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair value of the equity investments of approximately $556,000 ($631,000 in 2021), and equity mutual funds of approximately $146,300 ($159,000 in 2021). This change would be recognized in profit or loss.

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

Equities are monitored by management and holdings are adjusted following each quarter to ensure the investment portfolio remains in compliance with the investment policy.

There have been no significant changes from the previous period in the exposure to risk, nor any changes to the investment policies, procedures and processes for managing equity risk.

13. Financial Instrument and Insurance Risk Management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client, nor does it have material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

The Company's investment policy requires that 3% to 10% of the Company's portfolio be held in cash and short-term investments with a minimum of $1,000,000 held in cash and short-term investments to manage short-term liquidity issues. Short-term investments include treasury bills, commercial paper, and term deposits with an original maturity of less than one year.

There have been no significant changes from the previous period in the exposure to risk, nor significant changes in policies, procedures and methods used to measure the risk.

14. Retirement Benefits

The Company makes contributions on behalf of its employees to "the Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and Member Companies", which is a multi-employer plan.

The Company makes contributions to the plan on behalf of members of its staff hired prior to January 1, 2014. The plan is a money purchase plan, with a defined benefit option at retirement available to employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay.

The amount contributed to the plan for 2022 was $153,568 ($172,435 in 2021). The contributions were made for current service, and these have been recognized in comprehensive income. These contributions amount to 5.4% (3.03% in 2021) of the total contributions made to the plan by all participating entities during the current fiscal year.

Expected contributions to the plan for the next annual reporting period amount to $154,000, which is based on payments made to the multi-employer plan during the current fiscal year.

An actuarial valuation of the Pension Plan as of December 31, 2021 determined that the Plan was in a going-concern surplus position on that date. The next actuarial valuation to be filed under the Pension Benefit Act will be as of December 31, 2024.

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

15. Bank Line of Credit

The company has arranged with Libro Credit Union for the availability of a line of credit to a maximum of $2,000,000, bearing interest at Libro Prime Rate plus 1% per annum. On December 31, 2022 there was no outstanding balance on this line of credit.

16. Comparative Figures

Certain expense categories in note 8 have been reclassified in order to present them in a form comparable to those of the current year.