Ayr Farmers Mutual Insurance Company

Insurance that helps you thrive.

2024 131st Annual Report

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Ayr, ON

Situated in Ayr, Ontario, Moore Farms raises cattle, cash crop, grows vegetables, and sells produce and local meat at their on-farm store. They also open their strawberry patch to the public for a pick-your-own experience.

Following in his father’s footsteps, Allan continued the partnership with Ayr Farmers Mutual and has been a policyholder for over 40 years. They know that someone is always available to assist or offer a solution even if it’s not an emergency.

When you call Ayr Farmers Mutual with a claim or just a question, we’re here to listen and quickly respond to your needs.

Click here to read more.

anniek@ayrmutual.com

Ayr Farmers Mutual Insurance Company


True to
our roots.
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CHAIR'S MESSAGE

As we reflect on the past year, I am proud to share the strides we have made in strengthening our governance framework, embracing new recommendations, and supporting sustainable initiatives. Our commitment to effective governance remains at the forefront of our strategic priorities, ensuring that we uphold the highest standards of accountability and transparency.

Strategy

The Board is pleased with the success of Ayr Farmers Mutual as we complete the second year of our 3-year strategic plan. With a focus on caring about people and communities, as well as the addition of our purpose statement —**together, caring and supporting our members and communities to thrive**, our strategy continues to achieve the mission and vision of the organization and further supports our strategic focus for years to come.

Effective Governance

We continue to enhance and evolve our governance practices, while considering the guidance provided by the Financial Services Regulatory Authority (FSRA) through the risk-based supervisory framework. As a result of these activities, one area the Board is considering is the diversity of skill sets required to effectively oversee these obligations and provide robust oversight and strategic guidance.

Our board has diligently worked to ensure that our governance framework not only meets but exceeds regulatory requirements. We believe that strong governance is the cornerstone of our success and a key driver of long-term value creation.

New Recommendations and Board Committees

In line with our commitment of continuous improvement, we have adopted recommendations to further strengthen our board's effectiveness. One significant development is the addition of new board committees. These committees will provide specialized oversight and expertise in critical areas, enabling us to address emerging challenges and opportunities more effectively. We are confident that these enhancements will bolster our governance structure and support our strategic objectives.

Supporting Sustainable and Social Initiatives

Sustainability is at the heart of our mission. This year, we have made significant progress in supporting sustainable initiatives across our organization. From reducing our carbon footprint to promoting social responsibility, we are committed to making a positive impact on the environment and the communities we serve. Our efforts in this area are guided by our belief that sustainable practices are essential for our planet and for our long-term success.

Refund from Premiums

As a result of the very positive investment returns in 2024, the Board of Directors are very pleased to support a refund of premiums to qualifying policyholders. Ayr Farmers Mutual has a long legacy of strong social practices, and a refund of premiums is a proud Mutual example where our success is shared with our membership.

In closing, I would like to extend my heartfelt gratitude to our board members, management team, employees, agents, brokers, policyholders, and stakeholders for their unwavering support and dedication. Together, we have achieved remarkable milestones, and I am confident that we will continue to build on this momentum in the years to come.

As we look ahead, the Board remains committed to advancing AFM's mission, vision and strategic priorities. We are dedicated to fostering a culture of excellence, innovation, and inclusivity that empowers all members of our community to thrive and succeed.

Thank you for your continued trust and partnership.

Sincerely,

AYR FARMERS MUTUAL INSURANCE COMPANY

Dave Thompson
Board Chair

Ayr Farmer's Mutual Insurance Company - Board of Directors

Top-left, clockwise: Ed Hesselink, Dave Thompson, David Jamieson, Jason Vernooy, Brad Adams and Cathy Formica.

PRESIDENT & CEO'S MESSAGE

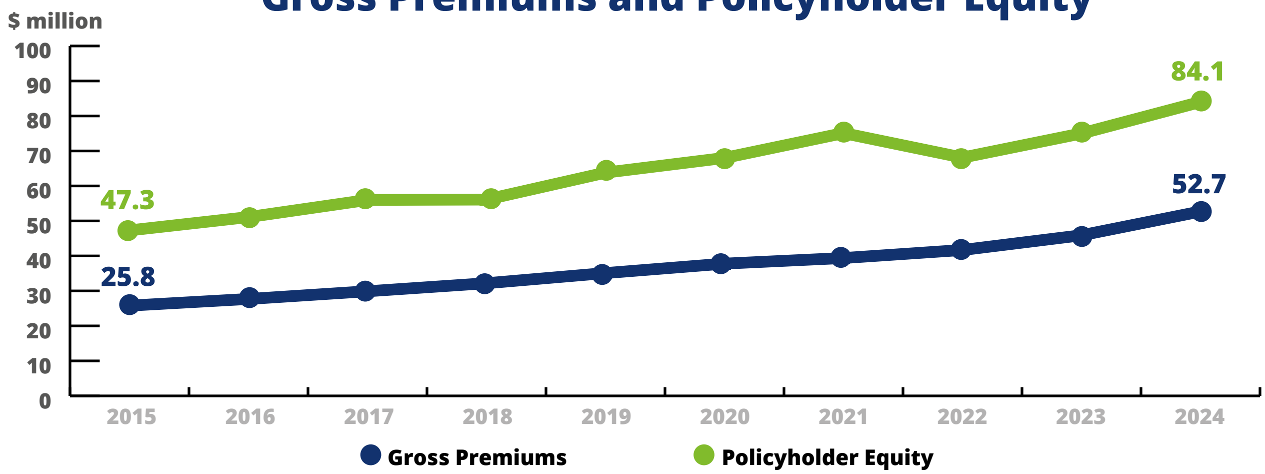
Reflecting on the past year, we are proud to share our progress, accomplishments, and the solid foundation we have built together at Ayr Farmers Mutual Insurance Company. Our focus remains on ensuring the continued growth and financial strength of the company, while embedding a deeper sense of purpose and commitment to our community, sustainability, and the people who make it all possible.

People First – Our Greatest Asset

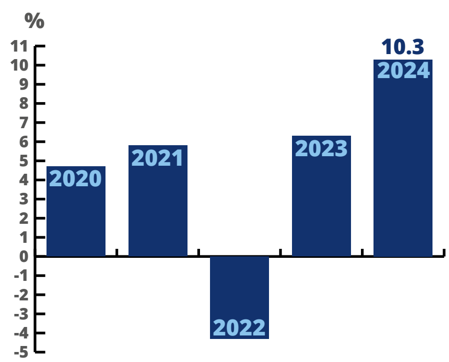
At the heart of Ayr Farmers Mutual is the belief that **people matter most**. This year, we continued to build upon our tradition of delivering exceptional service, while fostering an inclusive and supportive environment for both our policyholders and employees. The trust that our customers place in us is earned through personalized care – a responsibility we proudly uphold.

Our team, made up of dedicated professionals from within our communities, is the driving force behind our success. We recognize that to thrive, we must continue to attract, develop, and retain talented individuals who are passionate about our purpose. Our focus on training, well-being, and personal growth ensures that our employees have the tools to succeed and are empowered to create meaningful connections with our customers. We are proud of the culture we've built—one of integrity, empathy, and shared purpose.

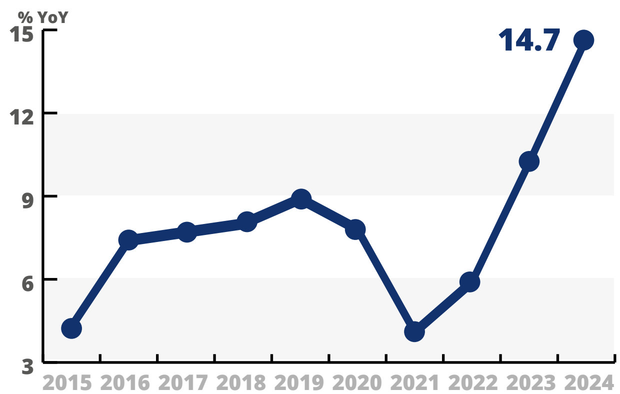
Gross Premiums and Policyholder Equity



Investment Yield



Premium Growth Rate

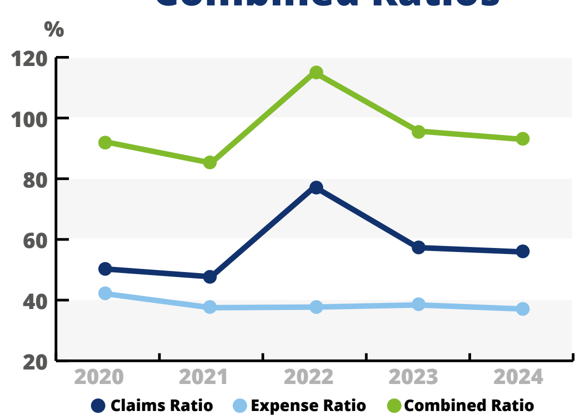


Performance and Progress

Financial results for AFM were very positive, as we saw overall premiums grow by 14.7% in 2024, exceeding our projection of nearly 9%. This increase came through new business growth, strong policyholder retention, rating changes, and insurance to value adjustments, bringing our total premiums to $52.7M.

Investment returns were extremely positive throughout most of 2024 producing some of the strongest returns we have experienced in past years, at 10.3%. While underwriting performance was challenged many times throughout the year, we concluded the year with a positive result of $3.1M. Overall, our net income was a new record for AFM, exceeding $9M.

Claims, Expense and Combined Ratios



Refund from Premiums

We strongly believe in rewarding our policyholders as valued members of our company. With strong overall financial results, we are proud to offer a 5% refund from premiums, which amounts to more than $1.5M refunded to eligible non-auto policies. This refund not only reflects our commitment to providing exceptional service but also embodies the Mutual policyholder experience, where our success is shared with those who make it possible.

Climate Related Events

Weather continues to be unpredictable, creating greater uncertainty in losses for the insurance industry as a whole. Canada experienced its worst catastrophic losses on record, surpassing $8B in claim costs. This continues to put pressure on climate-related risk, reinsurance costs and increased severity and frequency of losses, resulting in rising costs to insurance. AFM experienced two significant weather events that resulted in a large influx of water losses in the month of July; a tornado in August; along with numerous house and farm building fire losses throughout the year.

Strategic Initiatives

2024 marks the second year of our current 3-year strategic plan. In 2025, we will be refreshing our strategic plan for the next 3-year period, with an emphasis on purpose and sustainable approaches.

Six strategic capabilities and objectives have been identified in our strategy to support the achievement of our winning aspiration: **caring about people first** will gain us the highest levels of engagement, loyalty, and referrals.

The objectives to help us achieve this aspiration are:

- Build Connections and Care for our Team
- Deliver Financial Stability
- Provide Protection & Market Leading Service
- Improve Workflows to Create Capacity to Care for Policyholders
- Build Brand Awareness & Support Communities
- Promote Sustainability and Resilience

Thanks to our incredibly dedicated team, AFM completed an impressive 120 key results in 2024.

Sustainability – Securing a Future for Generations to Come

As an organization, we are acutely aware of our role in shaping the future — not just in terms of financial performance but in ensuring that we leave a positive impact on the environment and the communities we serve. Sustainability is at the forefront of our strategy, guiding our decisions and actions to ensure that we are responsible stewards of the resources entrusted to us.

This year, we have made significant strides in enhancing our environmental initiatives. AFM joined Sustainable Waterloo Region's Impact Network to work alongside sustainability leaders to achieve our environmental goals. In 2024, a highlight was the planting of a microforest on the AFM property. This is in addition to our Green Committee initiatives, such as our annual road-side cleanup, learning lunches on reducing carbon footprints, and the integration of sustainable practices throughout our operations. We strive to positively impact our environment, while continuing to serve our policyholders with the utmost care.

Additionally, our sustainability efforts extend to how we engage with our community. Through charitable giving, volunteering, and supporting local initiatives, we remain committed to the well-being of the people and places we call home. The progress we make as a company is intertwined with the prosperity of the communities in which we operate.

Purpose-Driven Growth – A Legacy of Care

At Ayr Farmers Mutual, we believe in the power of purpose to guide our actions and decisions. Our purpose is not just to provide insurance, but to make a meaningful difference in the lives of our policyholders and the communities in which they live and work. This purpose drives our approach to customer service, community support, product offerings, and financial management.

In 2024, we developed our first **Purpose Statement — together, caring and supporting our members and communities to thrive**. This statement and commitment is shared by all AFM employees and board members and will help guide our organization in remaining focused on its purpose. As we continue to grow, we are focused on balancing financial stability with the long-term goals of social responsibility and positive environmental impact. Our commitment to transparency, ethical governance, and responsible risk management has ensured that we remain financially strong and well-positioned to weather future challenges.

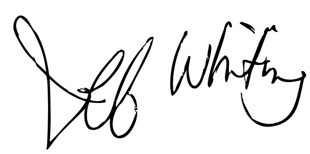
In the coming year, we will remain steadfast in our mission to support the agricultural, rural, and urban communities we serve, adapt to changing needs, and innovate in ways that align with our core values. Through our collective efforts, we will build a sustainable future for all who rely on us, ensuring that Ayr Farmers Mutual remains a trusted partner for generations to come.

A Final Word of Gratitude

On behalf of the entire board and management team, I would like to express my sincere gratitude to our employees, agents, brokers, policyholders, and stakeholders for your continued support and trust. Our success is a direct result of the dedication and belief that each of you brings to Ayr Farmers Mutual. We are more than just an insurance company—we are a community bound by shared values, and together, we will continue to thrive.

We look to the future with optimism, knowing that the foundation we have built will serve us well in the years ahead.

Mutually yours,



Jeff Whiting, CIP
President & CEO


We make insurance personal.

Listowel, ON

Located in Listowel, Ontario, Brad Blaskavitch has been a policyholder with Ayr Farmers Mutual Insurance for 30+ years. In 2022, Brad and his family faced the unimaginable – a devastating house fire. They unfortunately lost their home and all of their belongings in a matter of moments.

Brad learned that through one of the toughest times in his life, Ayr Farmers Mutual was there for him and his family. He was able to count on his Claims Representative, Brian, to provide unwavering support during his time of need.

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afimilk
Peace of mind
'til the cows
come home.

Woodstock, ON

With 200 acres of verdant pasture in Woodstock, Karnview Farms offers a nurturing haven for 85 dairy cows and around 230 head of cattle. They lead in the fields of Genetics, Embryo Transfer, and Cattle Merchandising.

The team at Karnview was looking for a 'partner' in their insurance company – a company that responds quickly to questions and makes us feel like we are more that just a contract number.

Over the 4 years with Ayr Farmers Mutual, the personal contact we've experienced provides us with the comfort in knowing that any issue will be handled quickly by someone who knows us and someone we trust.

Click here to read more.

Environmental, Social & Governance Initiatives in 2024

Foreword

At Ayr Farmers Mutual, we are committed to fostering a sustainable future by integrating Environmental, Social, and Governance (ESG) principles into every aspect of our business. Rooted in our century-old tradition of community-focused insurance, we understand the importance of protecting both the environment and the people we serve. By championing responsible practices, promoting equity, diversity and inclusion, and upholding the highest standards of governance, we aim to create lasting value for our policyholders, employees, and communities. Together, we're building a resilient and sustainable tomorrow.

Volunteer Appreciation & Donation Night

Social

Each year, coinciding with National Volunteer Week, AFM hosts a Volunteer Appreciation & Donation Night. Representatives from the community groups that we support join us for an evening of celebration and recognition.

In 2024, **we gave $33,200 in donations to 34 community organizations** who are doing exceptional and meaningful work.

Pictured right is Walter and Sharon Grose of Waterloo Rural Women - Children's Farm Safety Day, receiving a donation from AFM Board Chair, Dave Thompson.

Equity, Diversity and Inclusion Committee Formation

Social

In 2024, **the Equity Diversity and Inclusion (EDI) Committee was formed**, to provide guidance for initiatives that help build a culture of equity, diversity and inclusion. The Committee respectfully identifies opportunities to improve practices that create barriers to inclusion, may review EDI concerns or inquiries and support a work environment for all backgrounds and demographic characteristics.

Over the last year, the Committee has hosted a number of events, with the most recent being in October, for the celebration of Diwali. A local community group provided education through cultural stories and on the meaning of Diwali, gave dance performances and shared some delicious food.

Ayr Tornado

Social

On Saturday, August 17th, a tornado went through the community of Ayr, causing damage to areas of Greenfield Road and Northumberland Street. The storm system left behind a trail of downed trees and power lines, creating an environment of fear and uncertainty.

In response to this, once the path of the tornado was identified, **AFM employees were onsite within a few hours, checking in on residents to make sure they were safe, providing any help that was needed.** Our Claims Representatives assessed the damage to our policyholders and worked to quickly secure contractors to begin repairs as soon as possible.

Introduction to C'Ayrington Bear

Social

This year **we introduced a new member of our AFM family, C'Ayrington Bear!** They are a warm-hearted, friendly bear who embodies the values of AFM. With an approachable demeanor and genuine care for community, C'Ayrington is our lovable mascot and trusted friend. Always ready to lend a helping paw, C'Ayrington actively participates in local events, spreading positivity and support wherever they go.

AYR200

Social

Ayr Farmers Mutual was very proud to be the Platinum Sponsor of the AYR200 Event, celebrating the 200th birthday of the Village of Ayr (est. 1824). We participated in the parade with a float that was pulled by an antique tractor, driven by a policyholder and past director, Bob Gurney. Our float was decorated with photos from our history in the community of Ayr. We also hosted a cost free BBQ in conjunction with Ayr Foodland donating the main food supplies. Over 1200 hamburgers and hot dogs were served. The grand reveal of our mascot C'Ayrington was a highlight we won't forget, bringing smiles to so many. For more than 130 years, we've proudly stood alongside the Ayr community and are honoured to be a part of Ayr's rich history and caring community.

Scholarship Program

Social

AFM's Scholarship Program began in 2014. It provides an opportunity for children of our policyholders who are enrolled in post-secondary education, to apply for a scholarship. This includes sending in a creative submission which answers a given topic question.

This year, our topic centered around local volunteering opportunities that align with our company values and that students would like to see our employees become more involved in. The responses were very thoughtful, with the top theme pointing to supporting organizations that tackle food insecurity.

In 2024, we provided a total of $26,700 in scholarships to 46 applicants, which is our highest number of submissions to date.

Roadside Cleanup

Environmental

Our employees volunteer to take part in our annual Northumberland Street Roadside Clean-Up, held in October. For over 20 years, employees and agents have taken part in this event, giving back to our community and helping keep our village clean. This year, we expanded our efforts to part of Greenfield Road, which was affected by the Ayr Tornado.

Microforest Project

Environmental

In 2024, Ayr Farmers Mutual became a member of Sustainable Waterloo Region's Impact Network. With the guidance of their Microforest Planting Team, and in consultation with the Grand River Conservation Area, **our employees and agents came together on October 17th, 2024, to plant a microforest** on the corner of our property, next to the Mudge's Mills Wetland. Over 80 native trees and shrubs were planted to naturalize the area to expand the wetland ecosystem.

A microforest has many ecological and social benefits, such as removing greenhouse gases from the atmosphere, creating habitat for insects and animal species, soaking up and reducing water runoff as well as creating natural area for enjoyment, exploration and learning.

Employee Volunteering Opportunities – Social

In 2024, we set a goal of 525 volunteer hours for our employees and agents. **We surpassed this goal with a total of 898 volunteer hours completed**. We offer a number of opportunities throughout the year for our team to participate in, and we encourage them to include volunteer hours that they have participated in outside of work.

Last year, we offered two volunteering opportunities with the Ontario Christian Gleaners, preparing produce to be packaged into soup mix that would be sent to developing countries experiencing food insecurity.

We also offered two volunteering opportunities with Food4Kids, preparing small packages of food that will go home with 1200 children across 106 elementary schools, ensuring they have access to fresh, nutritious food.

We also coordinated our internal ***Build for a Cause*** event, where teams built festive structures using non-perishable food items. All food items were lated donated to the Cambridge Food Bank.

Financial Statements

Year ending December 31, 2024

Ayr Farmers Mutual Insurance Company

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

Ayr Farmers Mutual Insurance Company

DECEMBER 31, 2024
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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2024

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of Ayr Farmers Mutual Insurance Company. The 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 Ayr Farmers 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 Committee and the Board of Directors review and approve the annual financial statements. In addition, the Audit Committee meets periodically with financial officers of Ayr Farmers Mutual Insurance Company and the external auditors, and reports to the Board of Directors thereon. The Audit Committee and Board of Directors also review the annual report in its entirety.

The accompanying 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 Committee, without management present, to discuss the results of their work. Their report dated January 24, 2025 expresses their unmodified opinion on the Company's 2024 financial statements.

Jeff Whiting, CIP	David Paterson, BBA
President & CEO	Chief Financial Officer

Graham Mathew

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p: 519.623.1870 f: 519.623.9490 w: gmpca.com

INDEPENDENT AUDITORS' REPORT

To the Policyholders of
Ayr Farmers Mutual Insurance Company

Opinion

We have audited the accompanying financial statements of **Ayr Farmers Mutual Insurance Company** (the Company), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income, policyholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, 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 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 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 these financial statements in accordance with International Financial Reporting Standards, 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 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 financial statements, including the disclosures, and whether the 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
January 24, 2025

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

FINANCIAL POSITION
DECEMBER 31, 2024

	2024 $	2023 $
ASSETS		
Cash and short-term deposits	**18,381,251**	17,941,361
Reinsurance contracts assets (note 4)	**1,627,724**	3,448,057
Other assets	**507,129**	804,985
Current assets	**20,516,104**	22,194,403
Investments (note 7)	**96,171,336**	83,729,636
Property, plant and equipment (note 8)	**3,342,721**	3,343,105
	120,030,161	109,267,144
LIABILITIES		
Accounts payable and accrued liabilities	**1,122,999**	984,514
Provision for refund from premiums	**1,530,000**	
Income taxes payable	**1,208,996**	1,978,913
Deferred tax liability	**84,000**	228,000
Current liabilities	**3,945,995**	3,191,427
Liability for remaining coverage	**7,519,353**	6,751,981
Liability for incurred claims (note 4)	**24,429,160**	24,264,897
Total insurance contract liabilities	**31,948,513**	31,016,878
Total liabilities	**35,894,508**	34,208,305
POLICYHOLDERS' EQUITY		
Policyholders' equity (page 6)	**84,135,653**	75,058,839
	120,030,161	109,267,144

APPROVED BY THE BOARD:

David Jamieson Director

Cathy Jamieson Director

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

Ayr Farmers Mutual Insurance Company

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2024

	2024 $	2023 $
Insurance revenue (note 14)	**49,770,673**	43,776,095
Insurance service expense (note 5)	**(31,959,745)**	(26,380,572)
Insurance service result before reinsurance	**17,810,928**	17,395,523
Reinsurance premiums ceded	**(5,499,372)**	(4,127,373)
Recoverable from (expenditure to) reinsurers for incurred claims	**263,591**	(2,708,666)
Net expense for reinsurance contracts	**(5,235,781)**	(6,836,039)
Insurance service result	**12,575,147**	10,559,484
Investment income (note 12)	**10,616,568**	5,829,880
Finance expense for insurance contracts issued	**(1,298,000)**	(1,205,668)
Finance income for reinsurance contracts	**154,000**	265,805
Net insurance financial result	**22,047,715**	15,449,501
Other expenses		
Refund from premiums	**(1,530,856)**	(3,403)
Other expenses (note 5)	**(8,317,252)**	(7,913,106)
Income before income taxes	**12,199,607**	7,532,992
Income tax recovery (expense)		
Current (note 10)	**(3,173,793)**	(1,964,962)
Deferred	**51,000**	55,000
	(3,122,793)	(1,909,962)
Net income, being total comprehensive income for year	**9,076,814**	5,623,030

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

STATEMENT OF POLICYHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2024

	2024	2023
	$	$
Balance at beginning of year	**75,058,839**	69,435,809
Net income, being total comprehensive income for year	**9,076,814**	5,623,030
Balance at end of year	**84,135,653**	75,058,839

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

Ayr Farmers Mutual Insurance Company

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

	2024 $	2023 $
Cash flows from operating activities:		
Net income, being total comprehensive income for year	**9,076,814**	5,623,030
Items not involving cash:		
Amortization and depreciation	**863,936**	902,610
Deferred income tax	**(51,000)**	(55,000)
Realized (gains) losses on investments	**(972,173)**	610,424
Unrealized gains on investments	**(5,202,356)**	(3,119,231)
	3,715,221	3,961,833
Net change in non-cash working capital balances relating to operations:		
Reinsurance contract assets	**1,820,333**	3,854,558
Income taxes payable	**(769,917)**	6,100,441
Accounts payable and accrued liabilities	**138,487**	376,922
Liability for remaining coverage	**767,372**	604,215
Liability for incurred claims	**164,263**	(4,550,465)
Other assets	**297,856**	4,283
Taxes paid IFRS 17 transition	**(93,000)**	
	6,040,615	10,351,787
Cash flows from investment activities:		
Proceeds from sale of investments	**127,840,118**	68,032,763
Purchase of investments	**(134,023,856)**	(75,292,486)
Net additions to property, plant and equipment and intangible assets	**(863,553)**	(761,099)
Investment income due and accrued	**(83,434)**	(26,888)
	(7,130,725)	(8,047,710)
Cash flows from financing activities:		
Provision for refund from premiums	**1,530,000**	
Increase in cash during year	**439,890**	2,304,077
Cash, beginning of year	**17,941,361**	15,637,284
Cash, end of year	**18,381,251**	17,941,361

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

1. Identification and Activities

Ayr Farmers 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, aircraft and farmers' accident insurance in Ontario. The Company's head office is located at 1400 Northumberland Street in Ayr, Ontario.

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 financial statements have been authorized for issue by the Board of Directors on January 24, 2025.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

IFRS 17 Insurance contracts

(i) Classification and measurement

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company’s insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (“PAA”). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA are as follows:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognized in revenue for insurance services provided.
- Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.
- Measurement of the liability for incurred claims is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company’s obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Company defers insurance acquisition cash flows for all product lines over the contract boundary. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.

The Company’s classification and measurement of insurance and reinsurance contracts is explained in note 2(b).

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of presentation (continued)

IFRS 17 Insurance contracts (continued)

(ii) Presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued, and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance contracts issued that are liabilities
- Portfolios of insurance contracts issued that are assets
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

(b) Insurance and reinsurance contracts accounting treatment

(i) Insurance and reinsurance contracts accounting classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues property and casualty insurance to individuals and businesses, which includes property, liability, automobile, aircraft and farmers' accident insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

(ii) Separating components from insurance and reinsurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

(iii) Levels of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group for level of aggregation purposes may contain contracts issued more than one year apart.

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(iii) Levels of aggregation (continued)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognized
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

(iv) Recognition

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

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognizes a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- the date the Company recognizes an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(v) Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts.

(vi) Insurance contracts – initial measurement

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

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

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date,
- Any other asset or liability previously recognized for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognized.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in comprehensive income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

(vii) Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues (i.e. the PAA). However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognized on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(viii) Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period,
- Minus insurance acquisition cash flows,
- Plus any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period for the group,
- Minus the amount recognized as insurance revenue for the services provided in the period.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognizes a loss in comprehensive income for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to comprehensive income (through insurance service expense).

(ix) Reinsurance contracts – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(x) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company uses a systematic and rational method to allocate insurance acquisition cash flows to each group of insurance contracts.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognized in the statement of financial position, a separate asset for insurance acquisition cash flows is recognized for each related group.

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(xi) Insurance contracts – modification and derecognition

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the relevant contracts are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

(xii) Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

(xiii) Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognized on the basis of the passage of time.

(xiv) Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

2. Significant Accounting Policies (Continued)

(b) Insurance and reinsurance contracts accounting treatment (continued)

(xv) Loss-recovery components

As described in note 2(b)(xiv) above, where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

(xvi) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money; and the effect of financial risk and changes in financial risk. The Company presents insurance finance income or expenses within comprehensive income each period.

(xvii)Net income or expense from reinsurance contracts held

The Company does not separately present on the face of the statement of comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the statement of comprehensive income.

(c) Structured settlements, Fire Mutuals 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 Mutuals 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.

These exposures represent financial guarantee contracts. The Company accounts for financial guarantee contracts in accordance with IFRS 17, Insurance Contracts.

(d) Financial instruments

The Company measures its financial assets at fair value through profit or loss (FVTPL) because the Company's business model manages asset performance on a fair value basis.

Financial assets are initially measured at fair value, with attributable transaction costs recognized in comprehensive income.

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 cost using the effective interest rate method.

2. Significant Accounting Policies (Continued)

(e) 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.

(f) Income taxes

Income tax expense includes 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 or in other comprehensive income.

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).

(g) 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.

3. Accounting Estimates and Judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The company consolidates information and does not provide a separate breakdown for its major product lines; instead, it presents them as a unified portfolio.

(i) Insurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for incurred claims, the Company includes an explicit risk adjustment for non-financial risk.

(a) Liability for remaining coverage

(i) Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognized on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

(ii) Time value of money

The company does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money or the effect of financial risk for any of its product lines.

3. Accounting Estimates and Judgements (continued)

((i)) Insurance contracts (continued)

(b) Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

(c) Discount rates

Insurance contract liabilities and reinsurance contract assets are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid sovereign securities. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		**3 years**		**5 years**		**10 years**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Insurance Liabilities	3.06	4.52	3.01	3.70	3.20	3.53	3.84	3.77
Reinsurance Assets	3.06	4.52	3.01	3.70	3.20	3.53	3.84	3.77

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in note 4.

3. Accounting Estimates and Judgements (Continued)

((i)) Insurance contracts (continued)

(d) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 62nd percentile. That is, the Company has assessed that in order to be indifferent to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) they require an additional amount equivalent to the 62nd percentile level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in note 4.

4. Insurance Financial Risk Management

The company's activities expose it to a variety of insurance and financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking on various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the company's financial performance.

(a) Insurance risk

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.

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

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.

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 $1,200,000 in the event of a property claim, an amount of $1,200,000 in the event of an automobile claim and $1,200,000 in the event of a liability claim. The Company also obtained reinsurance, which limits the Company's liability to $3,000,000 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 70% of net earned premiums.

The following tables show the concentration of net insurance contract liabilities by type of contract:

	December 31, 2024			December 31, 2023		
	Gross Claims $	**Reinsurance of Claims $**	**Net Claims $**	Gross Claims $	Reinsurance of Claims $	Net Claims $
Property	**4,545,680**	**564,365**	**3,981,315**	5,212,307	2,330,421	2,881,886
Automobile	**14,905,299**	**1,096,359**	**13,808,940**	13,597,456	984,636	12,612,820
Liability	**4,978,181**	**(33,000)**	**5,011,181**	5,455,134	133,000	5,322,134
Total net insurance contracts	**24,429,160**	**1,627,724**	**22,801,436**	24,264,897	3,448,057	20,816,840

(i) Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(i) Sensitivities (continued)

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

			2024			
		Change in assumptions	**Impact on profit before tax, gross of reinsurance**	**Impact on profit before tax, net of reinsurance**	**Impact on equity, gross of reinsurance**	**Impact on equity, net of reinsurance**
Expected loss	+	5 %	(819,819)	(773,105)	(602,567)	(568,232)
Inflation rate	+	5 %	(819,819)	(773,105)	(602,567)	(568,232)
Expected loss	-	5 %	819,819	773,105	602,567	568,232
Inflation rate	-	5 %	819,819	773,105	602,567	568,232

			2023			
		Change in assumptions	**Impact on profit before tax, gross of reinsurance**	**Impact on profit before tax, net of reinsurance**	**Impact on equity, gross of reinsurance**	**Impact on equity, net of reinsurance**
Expected loss	+	5 %	(839,915)	(725,913)	(617,338)	(533,546)
Inflation rate	+	5 %	(839,915)	(725,913)	(617,338)	(533,546)
Expected loss	-	5 %	839,915	725,913	617,338	533,546
Inflation rate	-	5 %	839,915	725,913	617,338	533,546

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development

The following tables show the estimates of cumulative incurred claims for each successive accident year at each reporting date, together with cumulative payments to date.

In setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

		2024			2023		
	Note	**Estimates of the PVFCF**	**Risk adjustment**	**Total**	Estimates of the PVFCF	Risk adjustment	Total
Total gross liabilities for incurred claims	6(a)	23,752,160	677,000	24,429,160	23,089,497	1,175,400	24,264,897
Amounts recoverable from reinsurance	6(b)	1,573,724	54,000	1,627,724	3,316,896	131,161	3,448,057
Total net liabilities for incurred claims		22,178,436	623,000	22,801,436	19,772,601	1,044,239	20,816,840

* PVFCF refers to present value of future cash flows

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Gross undiscounted liabilities for incurred claims for 2024

	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	2023 $	2024 $	Total $
End of insured event year	15,516,349	16,266,985	20,066,216	27,105,724	18,196,161	18,215,324	19,444,709	31,176,580	22,118,106	26,791,385	
One year later	14,105,907	15,238,583	17,496,882	24,238,368	18,100,653	18,208,357	19,689,507	29,643,167	21,881,862		
Two years later	13,134,710	14,316,175	16,286,880	23,631,612	16,825,800	18,413,260	19,815,623	29,170,854			
Three years later	12,815,015	13,853,232	16,135,613	23,675,838	16,950,754	18,269,351	19,481,915				
Four years later	12,997,689	13,722,656	15,854,768	24,173,008	17,118,970	18,204,033					
Five years later	12,771,600	13,900,169	16,243,938	23,513,394	16,920,635						
Six years later	13,142,805	13,797,977	16,045,667	23,504,781							
Seven years later	13,099,636	13,588,152	15,943,080								
Eight years later	13,114,711	13,609,062									
Nine years later	13,031,345										
Gross estimates of the undiscounted amount of the claims	13,031,345	13,609,062	15,943,080	23,504,781	16,920,635	18,204,033	19,481,915	29,170,854	21,881,862	26,791,385	198,538,952
Cumulative payments to date	12,996,431	13,595,152	15,943,080	22,789,859	16,117,938	16,089,460	18,068,998	25,312,396	17,054,903	15,545,901	173,514,118
Outstanding claims	34,914	13,910		714,922	802,697	2,114,573	1,412,917	3,858,458	4,826,959	11,245,484	25,024,834
Outstanding claims 2014 and prior											263,959
Effect of discounting											(1,434,000)
Other attributable expenses											574,367
Total gross liabilities for incurred claims											24,429,160

4. Insurance Financial Risk Management (Continued)

(a) Insurance risk (continued)

(ii) Claims development (continued)

Net undiscounted liabilities for incurred claims for 2024

	2015 $	2016 $	2017 $	2018 $	2019 $	2020 $	2021 $	2022 $	2023 $	2024 $	Total $
End of insured event year	14,631,176	15,309,443	17,354,221	23,287,321	16,577,514	17,138,056	17,649,966	27,481,294	21,703,295	26,238,813	
One year later	13,440,454	14,516,147	15,976,001	22,527,957	17,337,045	16,645,009	16,894,328	27,508,515	21,699,885		
Two years later	12,925,710	13,892,957	15,291,183	22,246,263	16,413,054	18,056,415	17,982,427	27,182,401			
Three years later	12,740,015	13,650,014	15,165,643	22,370,952	16,752,116	17,757,223	17,566,809				
Four years later	12,972,689	13,543,752	14,816,171	22,765,592	17,151,850	17,665,382					
Five years later	12,775,607	13,659,054	15,290,284	22,363,857	16,932,268						
Six years later	13,086,203	13,619,925	15,185,054	22,215,390							
Seven years later	13,106,094	13,457,259	15,098,485								
Eight years later	12,997,528	13,478,169									
Nine years later	12,914,162										
Net estimates of the undiscounted amount of the net claims	12,914,162	13,478,169	15,098,485	22,215,390	16,932,268	17,665,382	17,566,809	27,182,401	21,699,885	26,238,813	190,991,764
Cumulative payments to date	12,879,248	13,466,259	15,098,485	21,764,171	16,185,571	15,938,854	16,202,892	23,561,523	17,206,926	15,707,286	168,011,215
Outstanding claims	34,914	11,910		451,219	746,697	1,726,528	1,363,917	3,620,878	4,492,959	10,531,527	22,980,549
Outstanding claims 2014 and prior											263,959
Effect of discounting											(1,282,000)
Other attributable expenses											838,928
Total net liabilities for incurred claims											22,801,436

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management

The Company has exposure to credit risk, liquidity risk and market risks from its use of financial instruments and its insurance contracts.

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 debt holdings in its investment portfolio and the reliance on the reinsurer 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 and corporate sector limits. The bond portfolio remains very high quality with 68% of the bonds rated A or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

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.

The Company manages its credit exposure based on the carrying value of the financial instruments and insurance and reinsurance contract assets. The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company’s credit ratings of counterparties:

	2024			
	A or better	**Less than A**	**Not rated**	**Total**
Insurance contract assets - bonds	35,677,173	10,620,664	6,553,358	52,851,195
Reinsurance contract assets		669,724		669,724
	35,677,173	11,290,388	6,553,358	53,520,919

	2023			
	A or better	**Less than A**	**Not rated**	**Total**
Insurance contract assets - bonds	31,438,743	9,754,118	5,762,348	46,955,209
Reinsurance contract assets		2,280,039		2,280,039
	31,438,743	12,034,157	5,762,348	49,235,248

Concentrations of credit risk

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

4. Insurance Financial Risk Management (Continued)

(b) Financial 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.

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.

The maturity profile of the company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarized in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analyzed by their expected payment dates.

		2024	
	Short-term	**Long-term**	**Total**
Insurance Assets			
Reinsurance contract assets	1,203,438	424,286	1,627,724
Financial Assets			
Cash and short-term deposits	18,381,251		18,381,251
Investments	28,984,755	40,455,325	69,440,080
	47,366,006	40,455,325	87,821,331
Insurance Contract Liabilities			
Liability for incurred claims	12,029,366	12,399,794	24,429,160
Liability for remaining coverage	7,519,353		7,519,353
	19,548,719	12,399,794	31,948,513
Financial liabilities			
Accounts payable and accrued liabilities	1,122,999		1,122,999
Deferred tax liability	93,000	(9,000)	84,000
Income taxes payable	1,208,996		1,208,996
Provision for refund from premiums	1,530,000		1,530,000
	3,954,995	(9,000)	3,945,995
Net liquidity gap	25,065,730	28,488,817	53,554,547

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Liquidity risk (continued)

	2023		
	Short-term	**Long-term**	**Total**
Insurance Assets			
Reinsurance contract assets	1,887,133	1,560,924	3,448,057
Financial Assets			
Cash and short-term deposits	17,941,361		17,941,361
Investments	20,112,346	39,833,159	59,945,505
	38,053,707	39,833,159	77,886,866
Insurance Contract Liabilities			
Liability for incurred claims	12,677,041	11,587,856	24,264,897
Liability for remaining coverage	6,751,981		6,751,981
	19,429,022	11,587,856	31,016,878
Financial liabilities			
Accounts payable and accrued liabilities	984,514		984,514
Deferred tax liability	93,000	135,000	228,000
Income taxes payable	1,978,913		1,978,913
	3,056,427	135,000	3,191,427
Net liquidity gap	17,455,391	29,671,227	47,126,618

Market risk

Market risk is the risk that the fair value or 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 the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in any one corporate issuer to a maximum of 5% of the company's total assets.

(i) 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 treasury bills, guaranteed investment certificates and bonds.

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(i) Interest rate risk (continued)

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 its 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 objectives, policies and procedures for managing interest rate risk are to vary the bond duration to take advantage of falling interest rates and reduce the risk of rising interest rates. This protects the Company from fluctuations in the interest rates. At December 31, 2024, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by approximately $2,196,434.

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.

Insurance finance income or expenses reflect changes in insurance contract liabilities valuations, driven by factors like discount rate adjustments and financial assumptions. These valuations, in turn, impact our financial results. Prudent risk management strategies ensure stability in financial performance, underscoring the crucial link between investment returns and our insurance business.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

		2024		2023	
	Change in interest rate	**Effect on Net profit**	**Effect on Equity**	**Effect on Net profit**	**Effect on Equity**
Debt Instruments	+100 bps	(2,196,000)	(1,614,000)	(1,731,000)	(1,272,000)
Debt Instruments	- 100 bps	2,196,000	1,614,000	1,731,000	1,272,000

4. Insurance Financial Risk Management (Continued)

(b) Financial risk management (continued)

Market risk (continued)

(ii) Price risk

Price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings within its investment portfolio.

The company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index, United States stocks with fair values that move with the S&P 500 Index, and international stocks that move with financial markets in Europe, Australia and Far East. A 10% movement in the stock markets with all other variables held constant would have an estimated effect on the fair values of the Company's common stocks of approximately $2,637,000. These changes would be recognized in the statement of comprehensive income.

The Investment Committee of the Board of Directors follows investment policies, procedures and processes for managing price risk.

The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

(iii) Foreign currency risk

Foreign 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 principal transactions are carried out in Canadian dollars and its exposure to foreign exchange risk arises primarily with respect to the United States dollar. The Company's financial assets are primarily denominated in the same currencies as its insurance contract liabilities.

The Company's foreign exchange risk is related to its stock holdings. The Company limits its holdings in foreign equity to 25% of investments in accordance with its investment policy. Foreign currency changes are monitored by the investment committee and holdings are adjusted when out of balance with its investment policy. A 1% change in the value of the United States dollar would affect the fair value of stocks and cash by approximately $161,000, 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.

5. Insurance Service Expense

	2024	2023
Claims and benefits	23,854,682	19,055,667
Salaries, employee benefits and directors' fees	6,381,177	5,891,952
Professional fees (other than legal)	37,361	42,311
Legal fees	31,824	16,178
Commissions	6,113,307	5,374,005
Depreciation and amortization	815,764	833,792
Occupancy expenses (including rent, leasing and maintenance)	542,551	541,330
Information technology	1,300,286	1,256,438
Other general expenses	1,200,045	1,282,005
Total	40,276,997	34,293,678
Represented by:		
Insurance service expenses	31,959,745	26,380,572
General and operating expenses	8,317,252	7,913,106
Total	40,276,997	34,293,678

6. Insurance and Reinsurance Contracts

(a) Roll forward of net liability for insurance contracts

The Company provides disclosure for its entire portfolio on an overall basis without further disaggregating information based on major product lines. This approach reflects the company's management and reporting practices.

	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	6,751,981		23,089,497	1,175,400	31,016,878
Insurance revenue	(49,770,673)				(49,770,673)
Insurance service expenses					
Incurred claims and other directly attributable expenses			25,995,721	211,675	26,207,396
Insurance acquisition cash flows amortization	8,106,559				8,106,559
Changes that relate to past service – adjustments to the liability for incurred claims			(1,643,469)	(710,075)	(2,353,544)
Insurance service result	(41,664,114)		24,352,252	(498,400)	(17,810,262)
Insurance finance expenses			1,297,335		1,297,335
Total changes in the statement of comprehensive income	(41,664,114)		25,649,587	(498,400)	(16,512,927)
Cash flows					
Premiums received	50,873,959				50,873,959
Claims and other directly attributable expenses paid			(24,986,924)		(24,986,924)
Insurance acquisition cash flows	(8,442,473)				(8,442,473)
Total cash flows	42,431,486		(24,986,924)		17,444,562
Insurance contract liabilities, end of year	7,519,353		23,752,160	677,000	31,948,513

* PVFCF refers to present value of future cash flows

6. Insurance and Reinsurance Contracts (Continued)

(a) **Roll forward of net liability for insurance contracts (continued)**

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of PVFCF*	Risk adjustments	Total
Insurance contract liabilities, beginning of year	6,147,766		28,183,072	632,290	34,963,128
Insurance revenue	(43,776,095)				(43,776,095)
Insurance service expenses					
Incurred claims and other directly attributable expenses			20,980,965	474,054	21,455,019
Insurance acquisition cash flows amortization	7,321,164				7,321,164
Changes that relate to past service – adjustments to the liability for incurred claims			(2,464,667)	69,056	(2,395,611)
Insurance service result	(36,454,931)		18,516,298	543,110	(17,395,523)
Insurance finance expenses			1,205,668		1,205,668
Total changes in the statement of comprehensive income	(36,454,931)		19,721,966	543,110	(16,189,855)
Cash flows					
Premiums received	44,607,277				44,607,277
Claims and other directly attributable expenses paid			(24,815,541)		(24,815,541)
Insurance acquisition cash flows	(7,548,131)				(7,548,131)
Total cash flows	37,059,146		(24,815,541)		12,243,605
Insurance contract liabilities, end of year	6,751,981		23,089,497	1,175,400	31,016,878

*PVFCF refers to present value of future cash flows

6. Insurance and Reinsurance Contracts (Continued)

(b) **Reinsurance contracts**

The company provides disclosure for its entire reinsurance portfolio on an overall basis without further desegregating information based on specific reinsurance lines or segments. This approach aligns with the company's management and reporting practices.

	2024				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Net reinsurance contract assets, beginning of year			3,316,896	131,161	3,448,057
Allocation of reinsurance premiums	(5,499,372)				(5,499,372)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses			525,232	53,491	578,723
Changes to amounts recoverable for incurred claims			(184,480)	(130,652)	(315,132)
Net (income) expenses from reinsurance contracts held	(5,499,372)		340,752	(77,161)	(5,235,781)
Reinsurance finance income			154,000		154,000
Total changes in the statement of comprehensive income	(5,499,372)		494,752	(77,161)	(5,081,781)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	4,989,590				4,989,590
Amounts received			(1,728,142)		(1,728,142)
Total cash flows	4,989,590		(1,728,142)		3,261,448
Reinsurance contract assets (liabilities), end of year	(509,782)		2,083,506	54,000	1,627,724

* PVFCF refers to present value of future cash flows

6. Insurance and Reinsurance Contracts (Continued)

(b) **Reinsurance contracts (continued)**

	2023				
	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF*	Risk adjustments	Total
Reinsurance contract liabilities, beginning of year	(259,283)				(259,283)
Reinsurance contract assets, beginning of year			7,382,503	179,395	7,561,898
Net balance asset (liability), beginning of year	(259,283)		7,382,503	179,395	7,302,615
Allocation of reinsurance premiums	(4,127,373)				(4,127,373)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for claims and other expenses			2,795,213	60,766	2,855,979
Changes to amounts recoverable for incurred claims			(5,455,646)	(109,000)	(5,564,646)
Net expenses from reinsurance contracts held	(4,127,373)		(2,660,433)	(48,234)	(6,836,040)
Reinsurance finance income			265,805		265,805
Total changes in the statement of comprehensive income	(4,127,373)		(2,394,628)	(48,234)	(6,570,235)
Cash flows					
Premiums paid net of ceding commissions and other directly attributable expenses paid	4,386,656				4,386,656
Amounts received			(1,670,979)		(1,670,979)
Total cash flows	4,386,656		(1,670,979)		2,715,677
Net reinsurance contract assets, end of year			3,316,896	131,161	3,448,057

* PVFCF refers to present value of future cash flows

7. Investments

	2024		2023	
	Cost	**Fair value (Book value)**	Cost	Fair value (Book value)
	$	**$**	$	$
Debt securities:				
Provincial	**13,147,459**	**13,488,477**	7,843,145	7,957,584
Corporate				
A or better	**11,985,565**	**12,436,777**	15,859,370	15,265,861
Below A			1,000,000	1,000,000
Pooled funds	**26,484,757**	**26,855,792**	23,237,255	22,660,142
Fire Mutual Guarantee Fund	**70,149**	**70,149**	71,622	71,622
	51,687,930	**52,851,195**	48,011,392	46,955,209
Equity investments:				
Canadian common	**8,152,121**	**10,230,122**	9,340,239	10,308,756
Real estate and infrastructure	**14,215,651**	**16,588,885**	10,500,123	12,716,070
U.S. equities	**13,226,160**	**16,143,476**	12,274,189	13,475,376
	35,593,932	**42,962,483**	32,114,551	36,500,202
Accrued interest	**357,658**	**357,658**	274,225	274,225
	87,639,520	**96,171,336**	80,400,168	83,729,636

The maximum exposure to credit risk is the fair value indicated.

The debt securities mature as follows:

	2024	2023
	$	$
Within 1 year	**12,395,871**	7,122,051
Over 1 to 5 years	**22,998,648**	21,395,046
Over 5 years	**17,456,676**	18,438,112
	52,851,195	46,955,209

The effective investment yield for the year is 10.3% (6.3% for 2023).

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;

7. Investments (Continued)

- 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).

On December 31, 2024 and December 31, 2023, the company held only level 2 investments.

December 31, 2024	Level 1 $	Level 2 $	Level 3 $	**Total** **$**
Bonds				
Federal		**13,488,477**		13,488,477
Corporate		**12,436,777**		12,436,777
Fire Mutual Guarantee Fund		**70,149**		70,149
Accrued investment income		**357,658**		357,658
Pooled funds				
Canadian fixed income		**26,855,792**		26,855,792
Canadian equity		**10,230,122**		10,230,122
U.S. equity		**16,143,476**		16,143,476
Real estate and infrastructure		**16,588,885**		16,588,885
Total investments measured at fair value	**NIL**	**96,171,336**	NIL	96,171,336

December 31, 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Bonds				
Federal		7,957,584		7,957,584
Corporate		16,265,861		16,265,861
Fire Mutual Guarantee Fund		71,622		71,622
Accrued investment income		274,225		274,225
Pooled funds				
Canadian fixed income		22,660,142		22,660,142
Canadian equity		10,308,756		10,308,756
U.S. equity		13,475,376		13,475,376
Real estate and infrastructure		12,716,070		12,716,070
Total investments measured at fair value	NIL	83,729,636	NIL	83,729,636

There were no transfers between levels for the years ended December 31, 2024 and 2023.

8. 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 (years) or declining-balance method (percentage).

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 is included within insurance service expense and general and operating expenses in the statement of comprehensive income and is provided over the estimated useful life of the asset.

		2024		
	Depreciation rate	**Cost**	**Accumulated Depreciation**	**Net Book Value**
		$	**$**	**$**
Land		**154,073**		**154,073**
Buildings	**4%**	**3,647,370**	**1,931,652**	**1,715,718**
Computer hardware	**3 years**	**887,008**	**667,943**	**219,065**
Furniture and fixtures	**5 years**	**1,794,243**	**1,432,022**	**362,221**
Vehicles	**30%**	**247,592**	**135,188**	**112,404**
Computer software	**50%**	**7,228,115**	**6,448,875**	**779,240**
		13,958,401	**10,615,680**	**3,342,721**

		2023		
	Depreciation rate	Cost	Accumulated Depreciation	Net Book Value
Land		154,073		154,073
Buildings	4%	3,635,301	1,860,164	1,775,137
Computer hardware	3 years	727,658	550,142	177,516
Furniture and fixtures	5 years	1,647,596	1,312,043	335,553
Vehicles	30%	247,592	87,016	160,576
Computer software	50%	6,682,629	5,942,379	740,250
		13,094,849	9,751,744	3,343,105

The unamortized cost of property, plant and equipment and intangible assets available to reduce net income for income tax purposes amounts to approximately $1,874,000 ($1,790,000 in 2023).

9. Pension Plan

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. Eligible employees participate in the defined benefit plan and sales agents participate in the defined contribution plan. The defined benefit plan specifies the amount of the retirement benefit to be received by the employee based on the number of years the employee has contributed and his/her final average earnings. The defined benefit plan has been closed to future eligible employees effective January 1, 2017. As of that date future eligible employees will be enrolled in the defined contribution plan.

The Company matches the employee contributions and funds the excess defined benefit based on the Company’s percentage of pensionable earnings as calculated by the Pension Plan actuaries. The Pension Plan agreement states that the Company is responsible for its share of any deficit as a result of any actuarial valuation or cost certificate. In the event of a wind-up, voluntary withdrawal or bankruptcy, either by the Company or the group as a whole, the Company is responsible for its portion of all expenses and deficit related to such.

9. Pension Plan (Continued)

During 2024, the amount contributed to the plan for current service was $588,410 ($550,046 in 2023). In addition, the company was required to contribute $NIL ($NIL in 2023) for past service. These amounts have been recognized in comprehensive income. The Company had a 5.1% share of the total contributions to the Plan in 2024. The expected contribution to the Plan for 2025 is $650,000.

An actuarial valuation of the Pension Plan as of December 31, 2021 showed a going-concern surplus position. 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. This uncertainty could create volatility in the funding status of the plan.

10. Income Taxes

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 26.5% (26.5% in 2023) are as follows:

	2024 **$**	2023 $
Income before income taxes (recovery)	**12,199,607**	7,532,992
Expected taxes (recovery) based on the statutory rate of 26.5% (26.5% in 2023)	**3,232,896**	1,996,243
Claims reserves timing differences	**23,798**	52,688
Other non-deductible expenses	**4,822**	4,598
Difference between depreciation and capital cost allowance	**22,435**	7,984
Other non-taxable income	**(110,158)**	(96,551)
Current year income tax expense	**3,173,793**	1,964,962

11. Salaries, Benefits and Directors Fees

Underwriter salaries and benefits	**1,037,624**	885,711
Sales salaries and commissions	**6,113,307**	5,374,005
Other salaries, benefits and directors' fees	**5,343,553**	5,006,241
	12,494,484	11,265,957

Included in claims expenses were salary and benefit costs of $1,650,435 ($1,338,222 in 2023).

12. Investment Income

Interest income	**3,179,325**	2,513,744
Dividend income	**1,404,418**	777,956
Realized gains (losses) on disposal of investments	**972,173**	(610,424)
Unrealized gains on investments	**5,202,356**	3,119,231
Investment expenses	**(327,970)**	(280,193)
Real estate pools and other	**186,266**	309,566
	10,616,568	5,829,880

13. 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 and management:

	2024	2023
	$	$
Compensation		
Salaries, benefits and directors' fees	**2,651,062**	2,387,064
Pension and other post-employment benefits	**193,930**	186,710
	2,844,992	2,573,774
Premiums	**140,994**	133,787
Claims paid	**16,142**	17,756

Amounts owing to and from key management personnel at December 31, 2024 are $NIL ($NIL in 2023) and $48,759 ($40,379 in 2023) respectively. The amounts are included in accounts payable and accrued liabilities and liability for remaining coverage on the statement of financial position.

14. Insurance Revenue

Gross premiums written	**52,585,079**	45,840,915
Crop assumed	**152,852**	131,003
Increase in unearned premiums	**(3,277,274)**	(2,470,347)
Service fees & bad debts	**310,016**	274,524
	49,770,673	43,776,095

15. 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. 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.

The MCT for the company at December 31, 2024 was 536% (542% at December 31, 2023).

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

Tavistock, ON

Located in Tavistock, Ontario, DonRon Farms Ltd. is a family run farm that has been in operation since 1964. They have been producing broilers since the early 2000s and prior to that, were milking cows. They currently have two poultry barns, a commercial elevator, and do custom farming.

Paul and Katherine have been policyholders with Ayr Farmers Mutual since 2015. They know that their Agent is always available to assist or offer a solution even if it’s not an emergency.

When you call or email Ayr Farmers Mutual with a claim, a question, or need advice, a member of the team is willing to listen and quickly set your mind at ease.

Together, caring and supporting our members and communities to thrive.

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