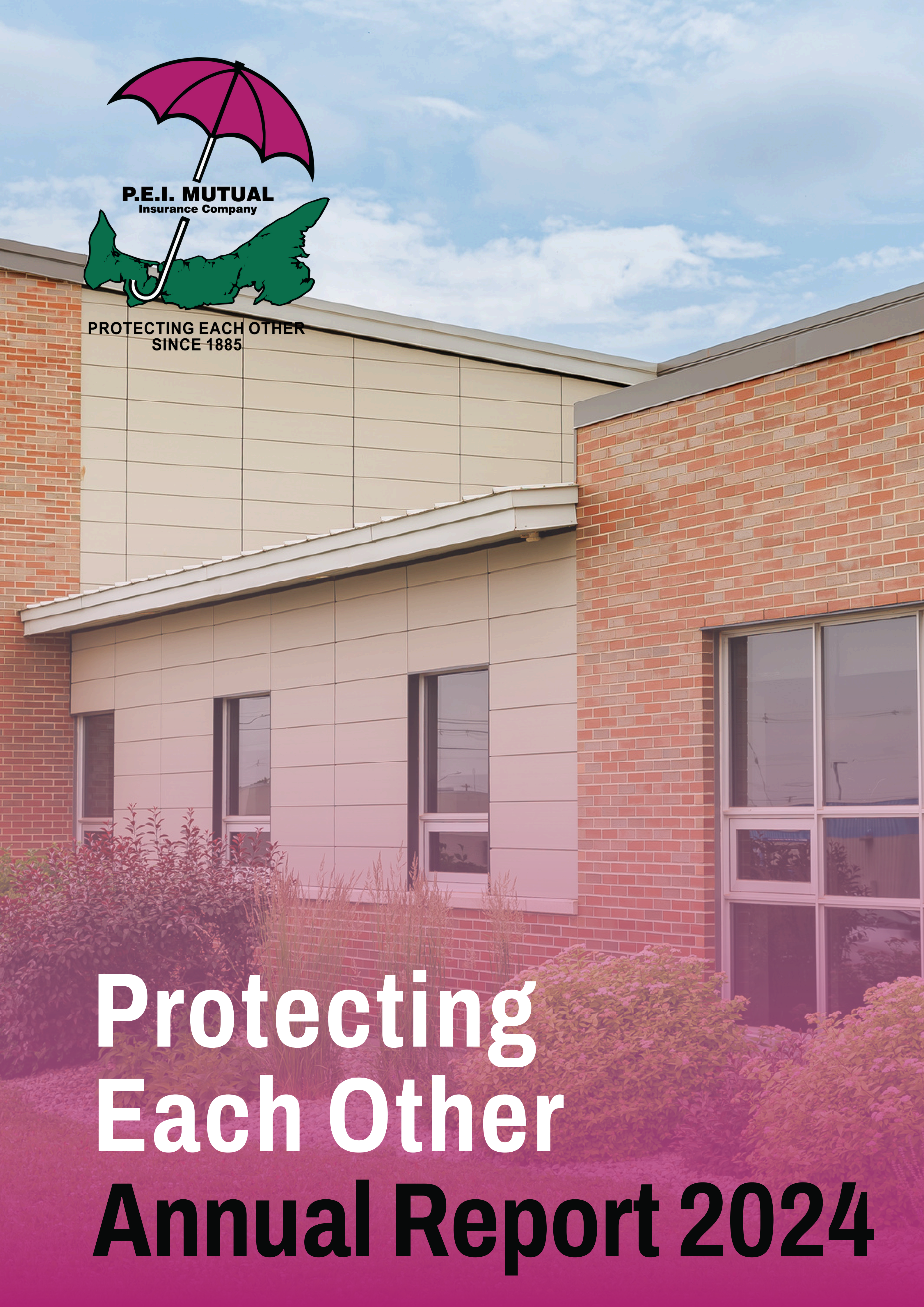


P.E.I. MUTUAL
Insurance Company

PROTECTING EACH OTHER
SINCE 1885

Protecting Each Other

Annual Report 2024


Since 1885
Home | Farm | Fishing | Commercial

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING
of the
PRINCE EDWARD ISLAND MUTUAL
INSURANCE COMPANY

The Annual Meeting of the Members of the Prince Edward Island Mutual Insurance Company for the 2024 year will be held at The Oval, above Red Shores at Summerside Raceway, 55 Greenwood Drive, Summerside, PEI on the 8th day of April, 2025, beginning at 2:00 p.m.

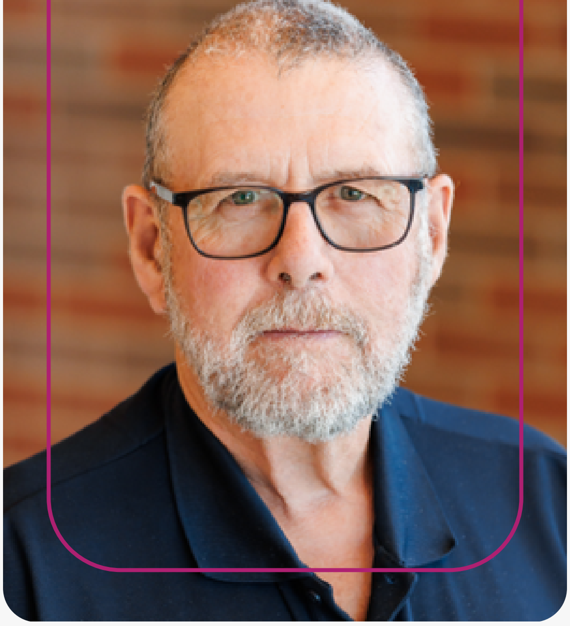
The purpose of the meeting is to receive the financial statements and the auditor's report for 2024; to elect directors; to appoint auditors; amend the bylaws to modernize and reflect current practices and to transact business of the 2024 Annual Meeting.

Please check our website, www.peimutual.com for updates in advance of the meeting.

A copy of PEI Mutual's Annual Report for 2024 and Notice of Motion for the Bylaw change is available on our website or by contacting head office.

Josh Toombs

Josh Toombs
Corporate Secretary



MESSAGE FROM THE PRESIDENT

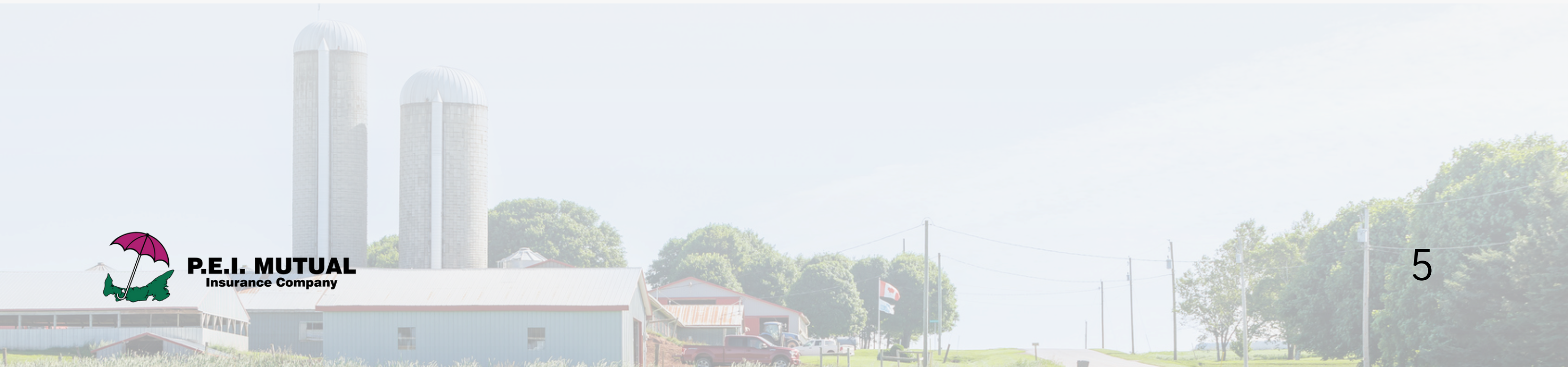
On behalf of the Board of Directors, I am pleased to present the President's Report for the 2024 Annual General Meeting of PEI Mutual Insurance Company.

As Board Chair for the past 12 months, I have had the privilege of working alongside a dedicated group of Directors and our skilled management team to ensure that PEI Mutual continues to fulfill its commitment to providing reliable insurance protection and exceptional service to our members.

As we gather for today's Annual Meeting, it is with gratitude and mixed emotion that I am able to move on into retirement, following a fulfilling 35-year journey as a Director at PEI Mutual. This company has given me so much over the years, and I am honoured to have served alongside of some of the finest people one could ever hope to meet. I take great pride in the things we have accomplished and in how we have consistently supported Islanders and positively impacted our Island communities throughout my tenure.

Recently, we also bid farewell to my longtime friend and colleague, Brian MacKinley, who retired from the Board in March, after a distinguished 28-year career. Brian leaves behind a legacy of passionate advocacy and his insights will be missed around the Board table.

Additionally, we were pleased to welcome Pam Cuddy of Murray Harbour to the Board back in August, as Director for Zone 9. Pam succeeds Brian Annear, who retired in July, after serving since 2007. Brian's kindness and calm demeanour were instrumental in guiding the company through various challenges over the years. We are truly grateful for his dedicated service and wish him all the best as he embarks on this next chapter.



MESSAGE FROM THE PRESIDENT

Over the past year, the Board has remained focused on governance and strategic oversight. We have engaged in thoughtful discussions around risk management, product development, and financial sustainability to ensure that PEI Mutual remains well-positioned to meet the evolving needs of our membership. Additionally, we have continued to enhance our governance practices to promote accountability and transparency in all aspects of our operations.

As we navigate a challenging insurance landscape marked by the rising cost of reinsurance driven by global market conditions and the continued impact of climate change on significant weather events, the Board has made the decision to reduce the Mutual rebate from 18% to 15% for the upcoming year. This adjustment is necessary to ensure the long-term financial health and stability of PEI Mutual while continuing to provide quality coverage to our members.

We recognize that the insurance landscape is constantly changing, and the Board is committed to supporting management as they navigate challenges and pursue opportunities for growth and innovation. As we look to the future, we are excited to welcome two new Directors following today's meeting and remain confident that their insights and expertise will further strengthen our capabilities.

On behalf of the Board of Directors, I wish to thank our members for their continued trust and support. I also extend our sincere appreciation to the management team and employees of PEI Mutual for their unwavering dedication and professionalism.

We look forward to another successful year serving you.

Respectfully submitted,

Claude Dorgan

Claude Dorgan
Board President

MESSAGE FROM THE CEO

As CEO of PEI Mutual, I am pleased to share with you an overview of 2024—a year marked by resilience, adaptation, and progress. Despite a number of internal changes, and a challenging insurance landscape shaped by rising reinsurance costs, increased frequency of catastrophic weather events and heightened economic pressures, we continued to move forward with determination and purpose.

From a financial perspective, PEI Mutual achieved strong results in 2024. Premiums written increased by $3.5 million compared to the previous year, reaching over $43 million. Net income after tax totaled $5.0 million, and our Members' surplus grew to just under $90 million as of December 31, 2024, reinforcing our ability to respond to future challenges and meet the evolving needs of our members. Positive investment returns, driven by net investment income of $7.2 million, contributed to our financial strength.

While we achieved an underwriting profit of $638,000, rising reinsurance costs and the market demand to invest in rapidly evolving technologies continue to pressure profitability.

At PEI Mutual, our commitment to serving our members with integrity and dedication remains unwavering. We take pride in earning the trust and loyalty of our policyholders, building a solid reputation grounded in personalized service and quality protection, deeply rooted in our Island community.

As the insurance provider of choice for Islanders, we remain committed to offering quality coverage tailored to meet the unique needs of our farming, fishing, commercial, and residential policyholders. This past year, we prioritized enhancing our underwriting practices and improving service delivery to ensure our members receive comprehensive protection at competitive prices. The launch of our new website in November, coupled with our enhanced social media presence, allows us to provide valuable content and education to our members and followers.

Looking ahead, we are focused on product development and innovation, and the long-awaited adoption of our cloud-based Enterprise Resource Planning (ERP) system. Set to launch in the second quarter of 2025, this initiative will streamline our operations and enhance our service efficiency, reinforcing our commitment to meeting the evolving needs of our members through innovative solutions.

Supporting our communities remains a cornerstone of our mission. Once again in 2024, PEI Mutual supported hundreds of organizations and causes, contributing over $350,000 to community impact initiatives across Prince Edward Island. As the Founding Partner of Special Olympics PEI, we take great pride in supporting their incredible work fostering inclusion and empowerment through sport. We have also increased our investment in agriculture and fishing-related initiatives, recognizing their importance to the Island's economy and heritage.

Our commitment to small business remains strong through collaboration with the five Island Chambers of Commerce. We continue to invest in education and our Island's future leaders by providing 20 scholarships annually through the PEI Mutual Education Trust. Our contributions also extend to humanitarian causes and environmental sustainability, underscoring our dedication to giving back and making a meaningful impact throughout the Island. Finally, we actively support youth sports through our partnerships with Sport PEI and the PEI School Athletic Association, as well as a renewed commitment to the arts through initiatives like the PEI Mutual Festival of Small Halls and the PEI Youth Talent Competitions.

Striving to be the best place to work remains a top priority for PEI Mutual. We continue to invest in our team's professional growth, well-being, and work-life balance. In 2024, we expanded training opportunities, strengthened internal communication channels, and enhanced our technology infrastructure to support hybrid and remote work.

At PEI Mutual, our people are our greatest asset. The dedication and expertise of our employees are the backbone of our success, and we are committed to providing a supportive, engaging, and empowering work environment.

MESSAGE FROM THE CEO

While we continue to face external challenges, our commitment to our members' well-being and the financial strength of our organization has never been stronger. The global reinsurance market has been significantly affected by recurrent natural disasters and escalating climate change-related risks, resulting in considerable increases in reinsurance costs, which have influenced our financial planning and operational strategies. After thorough evaluation, the Board of Directors made the difficult but necessary decision to reduce the Mutual rebate from 18% to 15% for the upcoming year. This adjustment will help maintain our financial resilience while ensuring we continue to provide reliable coverage to our members.

Looking ahead, the upcoming year is particularly special, as we prepare to celebrate our 140th Anniversary on April 10th. For nearly a century and a half, we have proudly served Islanders with dedication, integrity and a firm commitment to mutuality. We will continue exploring opportunities for growth and improvement while preserving the values that have made PEI Mutual a trusted presence on Prince Edward Island for generations. As we strive to be the best place to work, the insurance provider of choice, and a force for positive impact within our communities, we are confident in our ability to face future challenges with resilience and purpose.

I would like to extend my deepest appreciation to our members for their continued loyalty and trust, to our incredible team whose dedication drives our success, and to the Board of Directors for their guidance and support throughout this transformative year. We look forward to serving you in 2025 and beyond.

Sincerely,

Craig Noonan

Craig Noonan
Chief Executive Officer

OUR BUSINESS

OUR PURPOSE

Vision
To be the Insurer of choice on PEI

Mission
To provide our members with quality insurance products, at competitive prices, through local, personalized and professional service.

WE ARE GROWING!

Over the past few years, we have been expanding our team to maintain our commitment to providing exceptional service to our policyholders. Our dedication to being the insurer of choice on PEI is supported by our incredible staff, for whom we are truly thankful. We have welcomed new members to our teams in service agents, underwriting, administration, and claims, as we navigate the retirements of several staff members who have recently celebrated over 30 years with the company!



KEEPING IT FUN!

At the office, we place a strong emphasis on creating a fun atmosphere in conjunction with our work responsibilities. We organize events such as Easter egg hunts, summer barbecues and lawn games, and themed days. We believe keeping it fun, helps us keep our service top notch!


Financial Highlights

P.E.I. MUTUAL
Insurance Company

FINANCIAL PERFORMANCE SUMMARY

GROSS PREMIUMS WRITTEN

9% increase over 2023

GROSS PREMIUMS WRITTEN $

$43 Million for 2024

UNDERWRITING PROFIT

$638,031 for 2024

NEW POLICIES WRITTEN

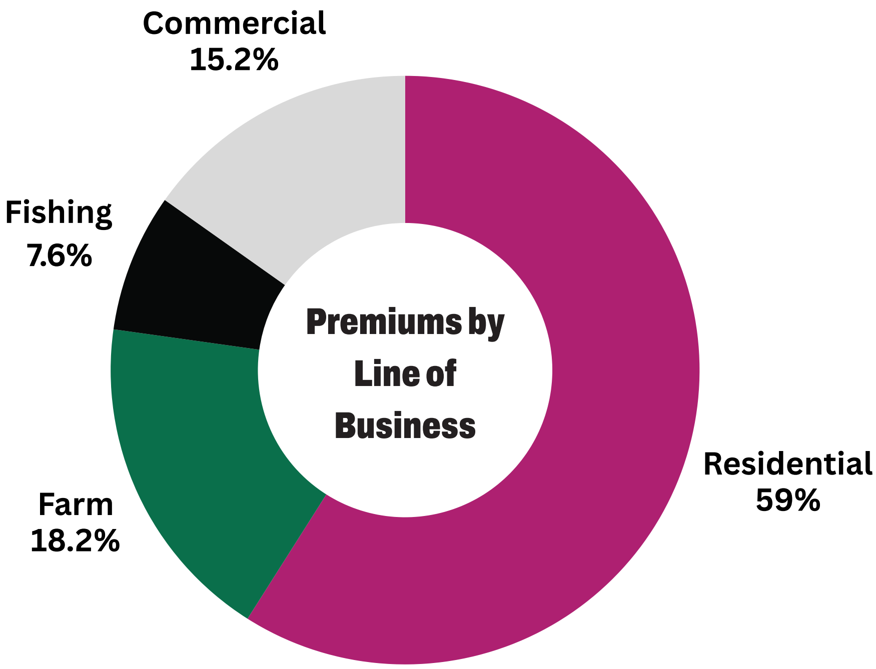
3763 New Policies written, increase of 5% over 2023

LOSS RATIO

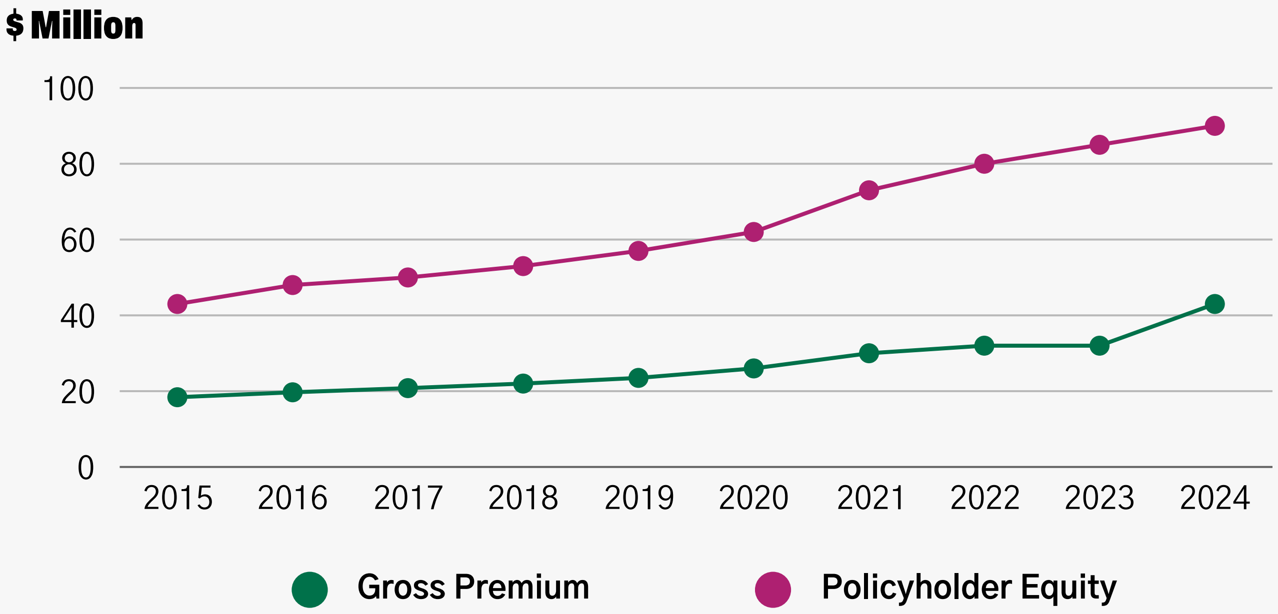
59.6% for 2024

EXPENSE RATIO

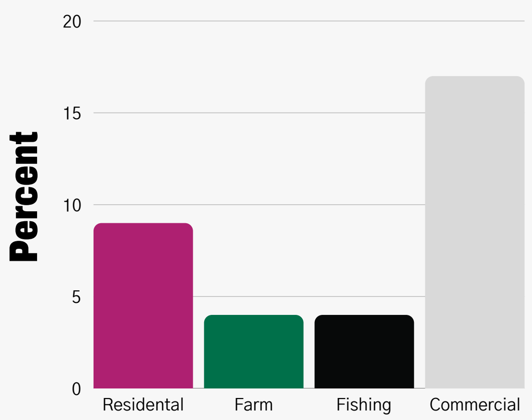
39.1% for 2024



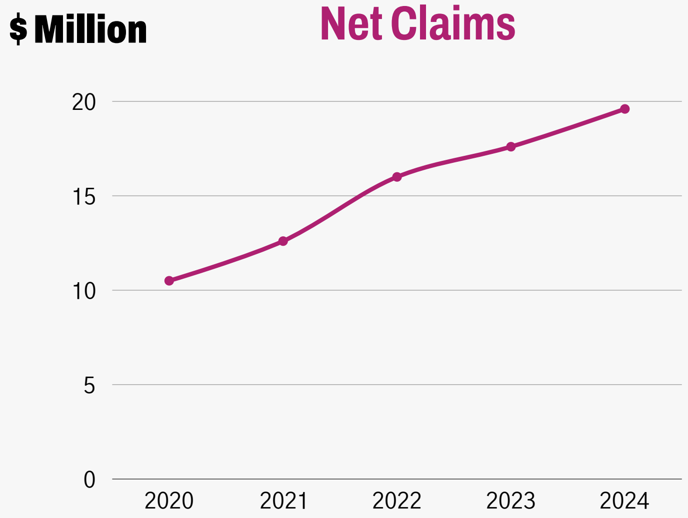
Gross Premiums and Policyholder Equity



Premium Growth Rate for 2024



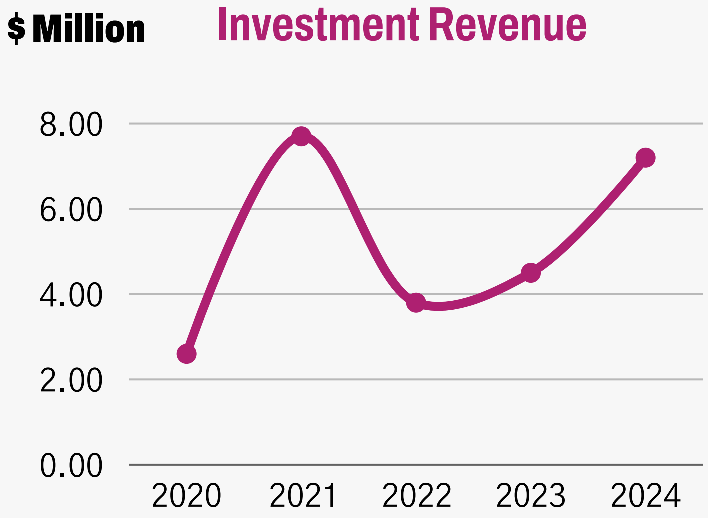
Net Claims

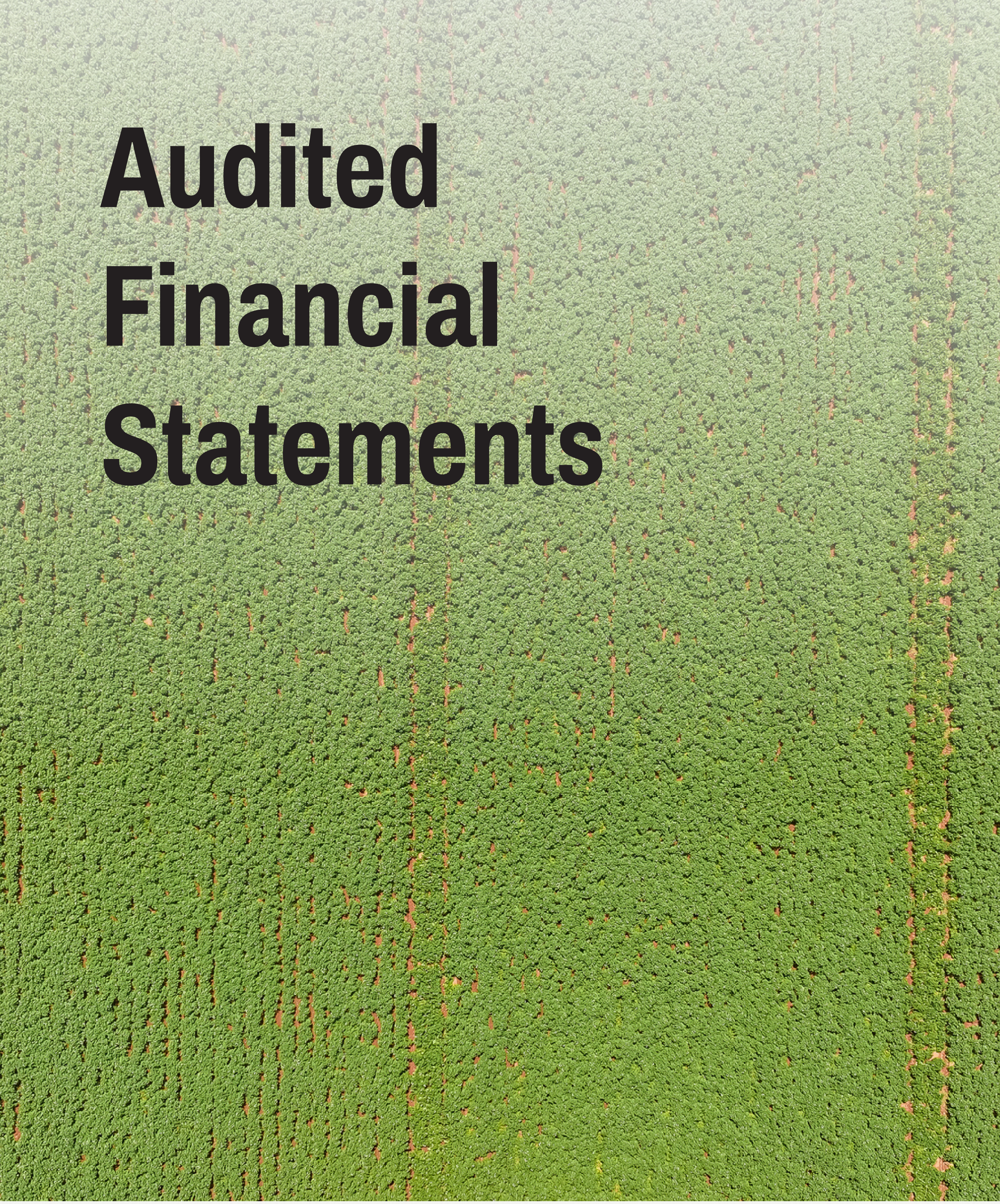


Performance and Progress

Our policyholder equity investments generated over $7 million this year, enhancing equity and reflecting our strategic investment approach. This performance contributes to our organization's financial stability and growth. We will continue to seek opportunities aligned with our risk management strategies for sustainable growth and success, ensuring the interests of our policyholders while strengthening our market position.

Investment Revenue





Audited Financial Statements

P.E.I. MUTUAL
Insurance Company

YEAR ENDED DECEMBER 31, 2024

Financial Statements

Prince Edward Island Mutual Insurance Company

December 31, 2024

Table of Contents

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of Prince Edward Island Mutual Insurance Company. The financial statements have been prepared by management in accordance with International Financial Reporting Standards 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 Prince Edward Island Mutual Insurance Company. 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 Prince Edward Island Mutual Insurance Company and the external auditors, and reports to the Board of Directors thereon.

The accompanying financial statements have been audited by BDO Canada LLP, authorized to practice public accounting by the Chartered Professional Accountants of Prince Edward Island, who are engaged by the Board of Directors and whose appointment was ratified at the 2024 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 March 17, 2025 expresses their unqualified opinion on the Company's 2024 financial statements.

Craig Noonan, Chief Executive Officer	Rudy Smith, Chief Financial Officer

Tel: 902-892-5365
Fax: 902-892-0383
www.bdo.ca

BDO Canada LLP
155 Belvedere Avenue, Suite 200
Charlottetown, PE C1A 2Y9

Independent Auditor's Report

To the Policyholders of Prince Edward Island Mutual Insurance Company

Opinion

We have audited the accompanying financial statements of Prince Edward Island Mutual Insurance Company (the Company), which comprise the statement of financial position as at December 31, 2024, and the statements of comprehensive income, changes in members' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the 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 and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting 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 *Auditor's 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 IFRS Accounting 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the 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.

BDO Canada LLP

Chartered Professional Accountants
Charlottetown, Prince Edward Island
March 17, 2025

	December 31 2024	December 31 2023
Assets		
Cash and cash equivalents	**$ 15,813,525**	$ 10,905,711
Investments (Note 5)	**98,533,606**	94,295,369
Investment income accrued	**756,379**	704,879
Income taxes receivable	**-**	892,982
Reinsurance contract assets (Note 4.2)	**11,779,538**	31,113,013
Property, plant and equipment (Note 11)	**4,072,751**	3,879,685
Prepaid software costs (Note 12)	**6,946,923**	4,639,350
Other assets	**355,527**	256,831
Total Assets	**$ 138,258,249**	$ 146,687,820

Liabilities		
Accounts payable and accrued liabilities	**$ 2,092,114**	$ 806,390
Income taxes payable	**150,443**	-
Insurance contract liabilities (Note 4.2)	**45,928,755**	60,829,686
Deferred income taxes (Note 10)	**178,195**	161,709
	48,349,507	61,797,785
Members' Surplus		
Unappropriated members' surplus	**89,908,742**	84,890,035
Total liabilities and equity	**$ 138,258,249**	$ 146,687,820

Signed on behalf of the Board by:

Claude D_____ Director

Jim Doyle Director

The accompanying notes are an integral part of these financial statements

Prince Edward Island Mutual Insurance Company

Statement of Comprehensive Income
For the Year-Ended December 31, 2024

	2024	2023
Insurance revenue	**$ 41,808,399**	$ 37,536,191
Insurance service expense (Note 8)	**(33,101,279)**	(60,166,553)
Insurance service result before reinsurance contracts held	**8,707,120**	(22,630,362)
Reinsurance premium ceded	**(8,705,296)**	(4,961,120)
Amounts recoverable from reinsurers for incurred claims	**4,207,016**	30,455,288
Net income from reinsurance contracts held	**(4,498,280)**	25,494,168
Insurance service result	**4,208,840**	2,863,806
Insurance finance income (expense) for insurance contracts issued (Note 4.2)	**(1,791,000)**	2,774,000
Reinsurance finance income (expense) for reinsurance contracts held (Note 4.2)	**967,000**	451,000
Net insurance financial result	**(824,000)**	3,225,000
Investment and other income and expenses (Note 6)	**7,397,022**	4,530,571
Other operating expenses (Note 8)	**(3,973,254)**	(2,360,199)
	3,423,768	2,170,372
Net income before income taxes	**6,808,608**	8,259,178
Income tax expense (Note 10)	**(1,789,901)**	(2,131,380)
Total income and comprehensive income	**$ 5,018,707**	$ 6,127,798

The accompanying notes are an integral part of these financial statements

Statement of Members' Surplus
For the Year-Ended December 31, 2024

	Unappropriated Members' Surplus
Balance as at January 1, 2023	$ 78,762,237
Net income and comprehensive income	6,127,798
Balance at December 31, 2023	84,890,035
Net income and comprehensive income	5,018,707
Balance at December 31, 2024	**$ 89,908,742**

The accompanying notes are an integral part of these financial statements

Prince Edward Island Mutual Insurance Company

Statement of Cash Flows
For the Year-Ended December 31, 2024

		2024		2023
Operating activities				
Net income and comprehensive income	$	**5,018,707**	$	6,127,798
Adjustments for:				
Depreciation of property, plant and equipment		**506,877**		394,142
Provision for income taxes		**1,789,901**		2,131,380
Interest income		**(3,174,536)**		(2,920,611)
Dividend income		**(1,221,277)**		(1,045,384)
Bond premium amortized		**357,628**		309,266
Gain on disposal of investments		**(826,211)**		(94,483)
(Gain) loss on disposal of property, plant and equipment		**(79,471)**		(11,372)
Unrealized gain on investments		**(2,159,901)**		(565,580)
		211,717		4,325,156
Change in non-cash operating working capital:				
Reinsurance contract assets		**19,333,475**		55,537,862
Other assets		**(98,696)**		(175,761)
Accounts payable and accrued liabilities		**1,285,724**		(120,680)
Insurance contract liabilities		**(14,900,931)**		(50,844,675)
		5,619,572		4,396,746
Cash flows related to interest, dividends and income taxes:				
Interest received		**3,123,036**		2,894,218
Dividends received		**1,221,277**		1,045,384
Income taxes paid		**(729,990)**		(41,787)
		3,614,323		3,897,815
Investing activities				
Purchase of investments		**(12,766,996)**		(7,997,162)
Proceeds on disposal of investments		**11,157,243**		6,755,241
Purchase of prepaid software costs		**(2,307,573)**		(2,417,012)
Purchase of property, plant and equipment		**(719,535)**		(450,209)
Proceeds on disposal of property, plant and equipment		**99,063**		15,525
		(4,537,798)		(4,093,617)
Net increase in cash and cash equivalents		**4,907,814**		8,526,100
Cash and cash eqvivalents, beginning of year		**10,905,711**		2,379,611
Cash and cash eqvivalents, end of year	$	**15,813,525**	$	10,905,711

The accompanying notes are an integral part of these financial statements

1. CORPORATE INFORMATION

The Company is incorporated without share capital under the laws of Prince Edward Island and is subject to the Prince Edward Island Insurance Act. It is licensed to write property and casualty insurance in Prince Edward Island. The Company's head office is located at 116 Walker Avenue, Summerside, Prince Edward Island.

These financial statements have been authorized for issue by the Board of Directors on March 11, 2025.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

(b) Basis of Measurement

These financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through profit or loss ("FVTPL").

The financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand (000), unless otherwise indicated.

(c) Judgment and Estimates

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

- The Company aggregates its insurance contracts and reinsurance contracts and presents its financial results on an entity level basis.
- The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of insurance contracts as the coverage period of each contract in the group is one year or less.
- The Company has made the election under IFRS 17.59(a) to recognize insurance acquisition cash flows as an expense when it incurs those costs.
- For groups of contracts that are onerous, the liability for the remaining coverage is determined by the fulfilment cash flows. Any loss/recovery is recognized on underlying contracts and the recovery expected on claims from reinsurance contracts held. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstance indicate otherwise. The Company considered facts and circumstances to identify whether a group of contracts are onerous based on (i) pricing information, (ii) results of similar contracts it has recognized, and (iii) Environmental factors (i.e., change in market experience or regulations). The Company has not identified any onerous contracts at this time.
- The Company does not adjust the carrying amount of the liability for remaining coverage to include the time value of money or the effect of financial risk for any of its product lines.
- The cost of outstanding claims is estimated using appropriate standard actuarial claims projection techniques. 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.

2. BASIS OF PREPARATION (CONTINUED)

(c) Judgment and Estimates (CONTINUED)

- Insurance contract liabilities are calculated by discounting expected future cash flows at the risk-free rate, plus illiquidity premium (when applicable). Risk free rates are determined by reference to the Provincial bond yield rates and a liquidity spread ratio of 90% with nil liquidity premium constant.

  Discount rates applied are listed below:

	1 year		3 years		5 years		10 years	
	2024	2023	2024	2023	2024	2023	2024	2023
Personal Property and Liability, and Commercial Property and Liability (including farm)	3.06%	4.76%	3.01%	3.87%	3.20%	3.56%	3.84%	3.74%

- The Company periodically assesses its liabilities and contingencies related to income taxes for all years open to audit based on the latest information available. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.
- The risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. The Company has estimated the risk adjustment using a cost of capital approach at the 75th percentile. The Company has estimated the probability distribution of future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.
- The Company has elected not to disaggregate the change in risk adjustment for non-financial risk in accordance with IFRS 17.81 and includes the entire change as part of the insurance service result in the statement of profit or loss and other comprehensive income.
- The Company applies judgment over the inputs and methods used to allocate insurance acquisition cash flows to the related contracts. This includes judgments about the amounts allocated to insurance contracts expected to arise from renewals of insurance contracts in that group. The Company will revisit the assumptions at the end of each reporting period and revise the amounts of assets for insurance acquisition cash flows as necessary.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2024 did not materially affect the Company’s financial statements.

4. MATERIAL ACCOUNTING POLICIES

4.1 INSURANCE CONTRACTS

IFRS 17 replaced IFRS 4 – *Insurance Contracts* for periods on or after January 1, 2023. The Company adopted IFRS 17 using the full retrospective approach with an effective transition date of January 1, 2022.

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. Under the full retrospective approach, at January 1, 2022 the Company identified, recognized and measured each group of insurance contract liabilities and reinsurance contract assets held and any acquisition costs, and derecognized previously reported balances that would not have existed had IFRS 17 always applied. This includes due from reinsurer, due from members, reinsurer's share of unpaid claims, unearned premiums and unpaid claims and adjustment expenses which are included in the measurement of insurance contract liabilities and reinsurance contract assets held under IFRS 17.

All of the Company's insurance contract liabilities and reinsurance contract assets held are measured using the PAA, minimizing the differences between IFRS 4 and IFRS 17.

The measurement principles using the PAA which differ from those under IFRS 4 primarily include:

- The liability for remaining coverage represents premiums received less amounts recognized in revenue for insurance services provided in that period. The Company discounts the measurement of the liability for remaining coverage to reflect the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- The liability for incurred claims is determined on a discounted-probability-weighted expected value basis, and includes a risk adjustment for non-financial risk.

Where a group of insurance contracts is onerous, measurement of the liability for remaining coverage includes a risk-adjustment for non-financial risk in order to calculate a loss component.

- Where a group of reinsurance contracts reinsures onerous insurance contracts, the measurement of the asset for remaining coverage is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses.

The presentation and disclosure principles using IFRS 17 differ from those under IFRS 4 primarily include:

- Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contract assets held that are assets and those that are liabilities, are presented separately on the Statement of Financial Position.
- The line-item descriptions for amounts recognized in the Statement of Comprehensive Income have changed significantly compared with the prior year. Changes to the line-item descriptions include:

<table>
<tr><th>Under IFRS 4, the Company presented:</th><th>IFRS 17 requires separate presentation of:</th></tr>
<tr><td>Gross written premiums</td><td rowspan="3">Insurance revenue</td></tr>
<tr><td>Changes in premium reserves</td></tr>
<tr><td>Net insurance premium revenue</td></tr>
<tr><td>Gross claims expenses and adjustment expenses</td><td rowspan="2">Insurance service expenses</td></tr>
<tr><td>Commission income and expenses</td></tr>
<tr><td rowspan="3">Reinsurer's share of claims and benefits incurred</td><td>Income or expenses from reinsurance contracts held</td></tr>
<tr><td>Insurance finance income or expenses</td></tr>
<tr><td>Reinsurance finance (income) / expense</td></tr>
</table>

4.1.1 Classification

Insurance contracts are those contracts that have significant insurance risk at the inception of the contract. The Company determines whether it has significant insurance risk, by comparing the benefits payable after an insured event with benefits payable if the insured event did not occur. The Company issues non-life insurance products including personal property and liability, and commercial property and liability (including farm). These products offer protection of policyholder's assets and indemnification of other parties that have suffered damages as a result of a policyholder's accident.

4.1.2 Level of Aggregation and Recognition

Insurance contracts and reinsurance contract assets held are required to be aggregated into portfolios of insurance contracts, based on underlying risk and the management of those risks, then further aggregated into groups based on the underlying expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. The profitability of groups of contracts is assessed by actuarial valuation models that take into account existing and new business. IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

Insurance contracts are recognized from the earliest of: the beginning of the insurance contract's coverage period; when payment from the policyholder becomes due or, if there is no contractual due date, when it is received; and when a contract is onerous.

Reinsurance contract assets held that provide proportionate reinsurance coverage are recognized from the later of: the beginning of the reinsurance contract's coverage period; and when underlying insurance contracts are initially recognized.

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

4.1.3 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 Accounting Standards 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.

4.1.4 Measurement

The Company uses the PAA to all the insurance contracts that it issues and reinsurance contracts held. Insurance contracts issued and reinsurance contracts held are eligible for the PAA when the coverage period of each contract in the group is one year or less or the Company reasonably expects that the resulting measurement of the liability for remaining coverage would not differ materially from that of applying the General Measurement Model.

Contract Boundary
The contract boundary determines the cash flows that are included in the measurement of a group of insurance contracts issued and reinsurance contract assets held. Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or has a substantive obligation to provide services including insurance coverage. 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.

Insurance Acquisition Cash Flows

Insurance acquisition cash flows arise from the cost of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. The company has made the accounting policy choice to expense these costs in the year that they are incurred.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.1 INSURANCE CONTRACTS (CONTINUED)

4.1.4 Measurement (CONTINUED)

Insurance Contract Liabilities - Initial Measurement

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

- Premiums received on initial recognition;
- 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.

Insurance Contract Liabilities - Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

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 the amount recognized as insurance revenue for services provided.

The liability for incurred claims includes the fulfillment cash flows for losses on claims and expenses that have not yet been paid, including those that have been incurred but not reported. The liability for incurred claims reflects current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk. The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Reinsurance Contract Assets – Initial Measurement

The Company measures its reinsurance contract assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Reinsurance Contract Assets – Subsequent Measurement

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

4.1.5 Derecognition and contract modification

An insurance contract is derecognized when it is extinguished, that is when the specified obligations in the contract expire or are discharged or cancelled. An insurance contract is also derecognized if its terms are modified in a way that would have significantly changed the accounting for the contract had the new terms always existed. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract. If an insurance contract modification does not result in derecognition, then the changes in cash flows caused by the modification are treated as changes in estimates of fulfillment cash flows.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.1 INSURANCE CONTRACTS (CONTINUED)

4.1.6 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 disaggregates the total amount recognised in the statement of comprehensive income into a net insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

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.

Insurance revenue

The Company recognizes insurance revenue based on the expected premium receipts and the passage of time over the coverage period of a group of contracts unless the release of risk differs significantly from the passage of time, in which case insurance revenue is recognized based on the release of risk. For all periods presented, the Company has recognized insurance revenue based on the passage of time.

Insurance service expense

Insurance service expenses arising from insurance contracts are recognized in the statement of comprehensive income as they are incurred and include losses on claims, other insurance service expenses, insurance acquisition costs, losses and reversals of losses on onerous contracts, and impairment losses and reversals of those impairment losses on insurance acquisition cash flow assets.

Net finance income or expense from insurance contracts and reinsurance contract assets held

Net finance income or expense from insurance contracts and reinsurance contract assets held as presented in the statement of comprehensive income are comprised of changes in the carrying amounts of insurance and reinsurance contracts arising from the effects of time value of money and changes in the time value of money and the effect of financial risk and changes in financial risk.

4.2 INSURANCE AND REINSURANCE CONTRACTS

4.2.1 Movements in net liability for insurance contracts issued

The roll-forward of the net liability for insurance contracts issued is disclosed below:

For the year December 31, 2024	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the PV of future cash flows	Risk adjustment	Total
Opening insurance contract liabilities	15,920,223	-	44,282,463	627,000	60,829,686
Opening insurance contract assets	-	-	-	-	-
Net opening insurance contract (assets)/liabilities	15,920,223	-	44,282,463	627,000	60,829,686
Insurance revenue	(41,808,399)	-	-	-	(41,808,399)
Insurance service expenses					
Incurred claims and other expenses	-	-	17,359,003	257,000	17,616,003
Changes to liabilities for incurred claims	-	-	15,820,276	(335,000)	15,485,276
Insurance service results before reinsurance contracts held	(41,808,399)	-	33,179,279	(78,000)	(8,707,120)
Insurance finance expenses	-	-	(1,791,000)	-	(1,791,000)
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of comprehensive income	(41,808,399)	-	31,388,279	(78,000)	(10,498,120)
Cash flows					
Premiums received	42,392,744	-	-	-	42,392,744
Claims and other expenses paid	-	-	(46,795,555)	-	(46,795,555)
Insurance acquisition cash flows	-	-	-	-	-
Total cash flows	42,392,744	-	(46,795,555)	-	(4,402,811)
Net closing insurance contract (assets)/liabilities	16,504,568	-	28,875,187	549,000	45,928,755
Closing insurance contract liabilities	16,504,568	-	28,875,187	549,000	45,928,755
Closing insurance contract assets					-
Net closing insurance contract (assets)/liabilities	**16,504,568**	**-**	**28,875,187**	**549,000**	**45,928,755**

For the year December 31, 2023	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the PV of future cash flows	Risk adjustment	Total
Opening insurance contract liabilities	14,818,196	-	95,242,576	1,615,459	111,676,231
Opening insurance contract assets	-	-	-	-	-
Net opening insurance contract (assets)/liabilities	14,818,196	-	95,242,576	1,615,459	111,676,231
Insurance revenue	(37,536,191)	-	-	-	(37,536,191)
Insurance service expenses					-
Incurred claims and other expenses	-	-	113,726,431	158,541	113,884,972
Changes to liabilities for incurred claims	-	-	(52,571,419)	(1,147,000)	(53,718,419)
Insurance service results before reinsurance contracts held	(37,536,191)	-	61,155,012	(988,459)	22,630,362
Insurance finance expenses	-	-	2,774,000	-	2,774,000
Effect of movements in exchange rates	-	-	-	-	-
Total changes in the statement of comprehensive income	(37,536,191)	-	63,929,012	(988,459)	25,404,362
Cash flows					
Premiums received	38,638,218	-	-	-	38,638,218
Claims and other expenses paid	-	-	(114,889,125)	-	(114,889,125)
Insurance acquisition cash flows	-	-	-	-	-
Total cash flows	38,638,218	-	(114,889,125)	-	(76,250,907)
Net closing insurance contract (assets)/liabilities	15,920,223	-	44,282,463	627,000	60,829,686
Closing insurance contract liabilities	15,920,223	-	44,282,463	627,000	60,829,686
Closing insurance contract assets					-
Net closing insurance contract (assets)/liabilities	**15,920,223**	**-**	**44,282,463**	**627,000**	**60,829,686**

4.2.1 Movements in net asset for reinsurance contracts held

The roll-forward of the net asset reinsurance contracts held is disclosed below:

	Assets for remaining coverage		Amounts recoverable on incurred claims		
For the year ended December 31, 2024	**Excluding loss recovery component**	**Loss recovery component**	**Estimates of the PV of future cash flows**	**Risk adjustment**	**Total**
Opening reinsurance contract liabilities	-	-	-	-	-
Opening reinsurance contract assets	(276,674)	-	31,099,687	289,000	31,112,013
Net opening reinsurance contract (assets)/liabilities	(276,674)	-	31,099,687	289,000	31,112,013
Allocation of reinsurance premiums	(8,705,296)	-	-	-	(8,705,296)
Amounts recoverable from reinsurers					-
Amounts recoverable for claims and other expenses incurred in the period	-	-	22,817,417	103,000	22,920,417
Changes in amounts recoverable for incurred claims	-	-	(18,477,401)	(236,000)	(18,713,401)
Net income or expense from reinsurance contracts held	(8,705,296)	-	4,340,016	(133,000)	(4,498,280)
Reinsurance finance income	-	-	967,000	-	967,000
Total changes in the statement of comprehensive income	(8,705,296)	-	5,307,016	(133,000)	(3,531,280)
Cash flows					-
Premiums paid	8,085,222	-	-	-	8,085,222
Amounts received	-	-	(23,886,417)	-	(23,886,417)
Total cash flows	8,085,222	-	(23,886,417)	-	(15,801,195)
Net closing reinsurance contract (assets)/liabilities	(896,748)	-	12,520,286	156,000	11,779,538
Closing reinsurance contract liabilities	-	-	-	-	-
Closing reinsurance contract assets	(896,748)	-	12,520,286	156,000	11,779,538
Net closing reinsurance contract (assets)/liabilities	**(896,748)**	**-**	**12,520,286**	**156,000**	**11,779,538**

	Assets for remaining coverage		Amounts recoverable on incurred claims		
For the year ended December 31, 2023	**Excluding loss recovery component**	**Loss recovery component**	**Estimates of the PV of future cash flows**	**Risk adjustment**	**Total**
Opening reinsurance contract liabilities	-	-	-	-	-
Opening reinsurance contract assets	(218,566)	-	85,683,450	1,184,990	86,649,874
Net opening reinsurance contract (assets)/liabilities	(218,566)	-	85,683,450	1,184,990	86,649,874
Allocation of reinsurance premiums	(4,961,120)	-	-	-	(4,961,120)
Amounts recoverable from reinsurers					-
Amounts recoverable for claims and other expenses incurred in the period	-	-	32,067,032	72,010	32,139,042
Changes in amounts recoverable for incurred claims	-	-	(715,754)	(968,000)	(1,683,754)
Net income or expense from reinsurance contracts held	(4,961,120)	-	31,351,278	(895,990)	25,494,168
Reinsurance finance income	-	-	451,000	-	451,000
Total changes in the statement of comprehensive income	(4,961,120)	-	31,802,278	(895,990)	25,945,168
Cash flows					-
Premiums paid	4,903,012	-	-	-	4,903,012
Amounts received	-	-	(86,386,041)	-	(86,386,041)
Total cash flows	4,903,012	-	(86,386,041)	-	(81,483,029)
Net closing reinsurance contract (assets)/liabilities	(276,674)	-	31,099,687	289,000	31,112,013
Closing reinsurance contract liabilities	-	-	-	-	-
Closing reinsurance contract assets	(276,674)	-	31,099,687	289,000	31,112,013
Net closing reinsurance contract (assets)/liabilities	**(276,674)**	**-**	**31,099,687**	**289,000**	**31,112,013**

4.3 INSURANCE AND FINANCIAL RISK

4.3.1 Insurance Risk

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 Prince Edward Island.

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. For longer tail claims that take some years to settle, there is also inflation risk. 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 contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

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

The Company enters into reinsurance contracts in the normal course of business in order to limit potential losses arising from certain exposures. Retention limits for the excess-of-loss reinsurance are set by product line. 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 $750,000 (2023 - $700,000) in the event of a property claim, and $600,000 (2023 - $600,000) in the event of a liability claim. For amounts over the respective limits there is a 0% retention to a specified maximum. The Company also obtained reinsurance which limits the Company's liability to $3.75 million (2023 - $2.1 million) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% (2023 – 80%) of gross net earned premiums for property and liability.

Amounts recoverable from 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 members and thus a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

4.3.1.1 Claim development

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

The tables below show how the Company’s estimate of cumulative incurred claim cost for each accident year has changed at successive year ends and reconcile the cumulative claims to the amount appearing in the statement of financial position. An accident-year basis is considered to be the most appropriate for the business written by the Company.

4.3.1.1.1 Claim development (CONTINUED)

The Company has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Gross undiscounted liabilities for incurred claims for 2024:

($'000)	2020	2021	2022	2023	2024	Total
At the end of insured event year	12,112	13,692	112,189	24,031	27,720	
One year later	11,910	12,592	137,175	24,521		
Two years later	11,618	12,453	133,786			
Three years later	11,762	12,190				
Four years later	11,459					
Gross estimates of the undiscounted amount of the claims	11,459	12,190	133,786	24,521	27,720	
Cumulative payments	10,272	11,889	131,713	19,609	10,179	
Outstanding claims	1,187	301	2,073	4,912	17,541	26,014
Outstanding claims 2019 and prior						3,507
Risk adjustment						549
Effect of discounting						(1,112)
Other attributable expenses						467
Total gross liabilities for incurred claims						**29,425**

Net undiscounted liabilities for incurred claims for 2024:

($'000)	2020	2021	2022	2023	2024	Total
At the end year of claim	11,996	12,705	17,369	18,773	20,575	
One year later	11,845	11,781	16,697	18,383		
Two years later	11,586	11,702	17,090			
Three years later	11,737	11,471				
Four years later	11,477					
Net estimates of the undiscounted amount of the claims	11,477	11,471	17,090	18,383	20,575	
Cumulative payments	10,272	11,167	16,070	16,582	10,180	
Outstanding claims	1,205	304	1,020	1,801	10,395	14,725
Outstanding claims 2019 and prior						2,897
Risk adjustment						393
Effect of discounting						(747)
Other attributable expenses						467
Total net liabilities for incurred claims						**17,735**

4.3.2 Sensitivities

The risks associated with insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses various techniques based on past claims development experience to quantify these sensitivities. This includes indicators such as average claim cost, amount of claims frequency, expected loss ratios and claims development. Results of sensitivity testing based on expected loss ratios are as follows, showing gross and net of reinsurance and the impact on pre-tax income:

	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%	151,000	144,000	104,190	99,360
Inflation rate	+1%	351,000	233,000	242,190	160,770
Expected loss	-5%	(154,000)	(145,000)	(106,260)	(100,050)
Inflation rate	-1%	(345,000)	(228,000)	(238,050)	(157,320)

	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%	(1,810,000)	107,000	(1,248,900)	73,830
Inflation rate	+1%	490,000	218,000	338,100	150,420
Expected loss	-5%	(3,362,000)	(1,172,000)	(2,319,780)	(808,680)
Inflation rate	-1%	(483,000)	(214,000)	(333,270)	(147,660)

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

4.3.3 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. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

The following table summarizes the maturity profile of portfolios of insurance contracts issued that are liabilities of the Company based on the estimated undiscounted future cash flows expected to be paid out in the periods expected:

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	> 4 Years	Total
December 31, 2024						
Insurance liabilities	$ 19,853,000	$ 4,766,000	$ 1,462,000	$ 996,000	$ 1,798,000	$ 28,875,000
Percent of total	69%	17%	5%	3%	6%	100%
December 31, 2023						
Insurance liabilities	$ 33,359,000	$ 4,926,000	$ 3,426,000	$ 1,452,000	$ 1,746,000	$ 44,909,000
Percent of total	74%	11%	8%	3%	4%	100%

The following the presents the maturity profile of bonds held:

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	> 4 Years	Total
December 31, 2024						
Debt instruments at amortized cost	$ 3,800,000	$ 7,921,102	$ 8,656,167	$ 5,411,499	$ 32,797,727	$ 58,586,495
Percent of total	6%	14%	15%	9%	56%	100%
December 31, 2023						
Debt instruments at amortized cost	$ 4,900,000	$ 3,842,689	$ 7,942,203	$ 8,747,750	$ 31,120,947	$ 56,553,589
Percent of total	9%	7%	14%	16%	55%	100%

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	> 4 Years	Total
December 31, 2024						
Debt instruments at amortized cost	$ 3,800,000	$ 7,921,102	$ 8,656,167	$ 5,411,499	$ 32,797,727	$ 58,586,495
Percent of total	7%	14%	15%	9%	56%	100%
December 31, 2023						
Debt instruments at amortized cost	$ 4,900,000	$ 3,842,689	$ 7,942,203	$ 8,747,750	$ 31,120,947	$ 56,553,589
Percent of total	9%	7%	14%	16%	55%	100%

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

4.3.4 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract issued or reinsurance contract held will fluctuate because of changes in market prices. Market factors that will impact the fair value of investments include three types of risk: currency risk, interest rate risk and equity risk.

The Company's investment policy operates within the guidelines of the 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% (except government sponsored bonds) of the Company's portfolio.

Currency risk

The Company's currency risk is related to stock holdings which are limited to United States equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 25% of the total equity holdings in accordance with its investment policy. Foreign currency changes are monitored by the Investment Committee and holdings are adjusted when offside of the investment policy. A 1% change in the value of the United States dollar would affect the fair value of stocks by $58,996 which would be reflected in the statement of comprehensive income.

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument or insurance or reinsurance contract will fluctuate because of changes in market interest rates. The Company has minimal exposure to interest rate risk on its debt instruments, as its interest-bearing investments are being held to maturity.

At December 31, a 1% move in interest rates, with all other variables held constant, could have the following impact to the Company:

	2024			2023	
	Change in interest rate	Impact on pre-tax profit or loss	Impact on equity	Impact on pre-tax profit or loss	Impact on equity
Insurance and reinsurance contracts	+/- 1%	(219,000)	(151,110)	(178,000)	(122,820)

Equity risk

The Company is exposed to equity risk through its portfolio of stocks in listed Canadian and US companies. At December 31, 2024, 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 listed Canadian common equities and United States common equities of $3.12 million (2023 - $2.73 million). This change would be recognized in profit or loss.

The Company's investment policy limits investment in common shares to a maximum of 30% of the carrying value of the portfolio.

Equities are monitored by the Investment Committee and the board of directors and holdings are adjusted as required to ensure the investments portfolio remains in compliance with the investment policy.

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

4.3.4 Market risk (CONTINUED)

Credit risk
Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk relating to its bond holdings in its investment portfolio.

The following table provides the carrying value information of investments by type of security and issuer.

Carrying value	2024	2023
Investments at amortized cost	$ 67,306,495	$ 66,973,589
Investments at fair value though profit or loss	31,227,111	27,321,780
	$ 98,533,606	$ 94,295,369

	December 31, 2024		December 31, 2023	
Investments at amortized cost	**Cost**	**Fair Value**	Cost	Fair Value
Term deposits and GIC's	$ 8,720,000	$ 8,720,000	$ 10,420,000	$ 10,420,000
Bonds, at par less unamortized purchase discounts and premiums				
- Federal	199,091	202,752	898,181	883,447
- Provincial	15,131,560	15,204,335	14,005,120	13,863,765
- Municipal	13,214,892	13,182,091	13,174,741	13,005,584
- Corporate	30,040,952	30,546,785	28,475,547	28,055,680
Total bonds	58,586,495	59,135,963	56,553,589	55,808,476
	$ 67,306,495	$ 67,855,963	$ 66,973,589	$ 66,228,476
Investments at fair value through profit or loss				
Equities - Canadian Common Stock	$ 16,832,388	$ 25,337,546	$ 15,888,814	$ 22,097,721
Equities - US Common Stock	4,176,849	5,889,565	3,374,993	5,224,059
	$ 21,009,237	$ 31,227,111	$ 19,263,807	$ 27,321,780

The Company’s investments in bonds and debentures are measured at amortized cost and are considered to have low credit risk. Based on Management’s assessment of past events, current conditions and expected collectability of future cash flows from these instruments, there is no expected credit loss allowance to be recognized in the financial statements.

The Company’s investment policy includes guidelines on the bond portfolio relating to portfolio composition, issuer type, bond quality ratings (at time of acquisition – rated as “BBB” or better) and general guidelines for geographic exposure. All fixed income portfolios are monitored by management on a monthly basis.

4.3.4 Market risk (CONTINUED)

The maximum exposure to investment credit risk is the carrying value of investments.

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Management monitors the creditworthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract. At year-end, the Company reviewed the amounts owing from its reinsurer and determined that no allowance is necessary.

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

5. INVESTMENTS

(a) Recognition and initial measurement

The Company recognizes debt instruments on the date on which they are originated. Equity instruments are recognized on the settlement date, which is the date that the asset is received by the Company. The instruments are initially measured at fair value.

(b) Classification and subsequent measurement

Financial assets are initially recognized at fair value with subsequent measurement based on classification. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and choice where applicable:

- Equity instruments are classified as fair value through profit and loss and are measured at fair value.
- Debt instruments are classified as amortized cost and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument, then subsequently carried at amortized cost using the effective interest method.

Fair values are based on quoted market values where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

(c) Derecognition

The Company derecognizes investments when the contractual rights to the cash flows from the investment expires or the Company transfers the investment. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

(d) Fair value measurement

The following table provides an analysis of investments 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;
- 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).

5. INVESTMENTS (CONTINUED)

	Carrying Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
December 31, 2024					
Equity investments					
- Canadian	**$ 25,337,546**	**$ 25,337,546**	**$ -**	**$ -**	**$ 25,337,546**
- US	**5,889,565**	**5,889,565**	**-**	**-**	**5,889,565**
Bonds	**67,306,495**	**-**	**67,855,963**	**-**	**67,855,963**
Total	**$ 98,533,606**	**$ 31,227,111**	**$ 67,855,963**	**$ -**	**$ 99,083,074**
December 31, 2023					
Equity investments					
- Canadian	$ 22,097,721	$ 22,097,721	$ -	$ -	$ 22,097,721
- US	5,224,059	5,224,059	-	-	5,224,059
Bonds	66,973,589	-	66,228,476	-	66,228,476
Total	$ 94,295,369	$ 27,321,780	$ 66,228,476	$ -	$ 93,550,256

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2024 and 2023.

6. INVESTMENT AND OTHER INCOME AND EXPENSES

	2024	2023
Interest income	**$ 3,174,536**	$ 2,920,611
Dividend income	**1,221,277**	1,045,384
Gains on disposal of investments	**826,211**	94,483
Unrealized gains (losses) on investments	**2,159,901**	565,580
Investment expenses	**(139,993)**	(123,279)
Gain on disposal of property, plant and equipment	**79,471**	11,372
Other income	**75,619**	16,420
	$ 7,397,022	$ 4,530,571

7. CAPITAL MANAGEMENT

For the purpose of capital management, the Company has defined capital as members' surplus.

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. Reinsurance is utilized to protect capital from catastrophic losses as the frequency and severity of these losses are inherently unpredictable. To limit their potential impact, catastrophe coverage limits the Company's exposure to $3.75 million. The $3.75 million net retained amount represents approximately 4.2% of Company's capital.

Section 317. (1) of the Insurance Act of Prince Edward Island requires insurers to maintain a reserve fund equal to the sum of $500 for every $100,000 of the first $1 million of insurance in force, and $3,000 for each additional $1 million or part thereof insurance in force. The Company's reserve fund as of December 31, 2024 was 1.28 times that which is required by S317. (1) of the Insurance Act.

8. INSURANCE SERVICE AND OTHER OPERATING EXPENSES

	2024	2023
Claims and benefits	$ 22,976,507	$ 51,336,748
Salaries and employee benefits	4,337,877	3,708,821
Directors remuneration	298,483	293,252
Professional fees	276,360	321,254
Commissions and acquistion costs	3,768,135	3,417,678
Depreciation	331,503	284,618
Occupancy costs	1,573,106	1,385,188
Information technology	948,400	644,258
Inspections and investigations	37,927	28,342
Premium tax	537,837	493,968
Retiring allowances and termination benefits	1,226,445	-
Other general expenses	761,953	612,625
	$ 37,074,533	$ 62,526,752
Represented by:		
Insurance service expenses	$ 33,101,279	$ 60,166,553
Other operating expenses	3,973,254	2,360,199
	$ 37,074,533	$ 62,526,752

9. SALARIES, BENEFITS AND DIRECTORS FEES

	2024	2023
Claims handling - Salaries, adjusting fees & benefits	$ 875,962	$ 779,745
Sales salaries, commissions and benefits	3,362,144	3,097,278
Director fees	298,483	293,252
Other salaries and benefits	4,337,877	3,708,821
	$ 8,874,466	$ 7,879,096

10. INCOME TAXES

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

The significant components of the tax effect of the amounts recognized in net income and comprehensive income are as follows:

	2024	2023
Current tax expense		
Based on current year taxable income	$ 1,773,415	$ 1,620,053
Deferred tax expense		
Origination and reversal of temporary differences	16,486	511,327
Total income tax expense	$ 1,789,901	$ 2,131,380

Reasons for the difference between tax expense for the year and the expected income taxes based on the statutory tax rate of 31% (2023 – 31%) are as follows:

	2024	2023
Income before income taxes	$ 6,808,608	$ 8,259,178
Combined basic Canadian Federal and provincial income tax rate	31%	31%
Income taxes at statutory rates	2,110,668	2,560,345
Non-deductible portion of claims liabilities	(239,712)	362,464
Depreciation in excess of capital cost allowance	44,080	(67,544)
Other non deductible expenses	(13,835)	11,172
Deduction for CCPC dividends	(327,159)	(278,665)
Adjustments to reserves relating to IFRS 17	199,373	(967,719)
Origination and reversal of temporary timing differences	16,486	511,327
Total income tax expense	$ 1,789,901	$ 2,131,380

The significant components of deferred tax assets (liabilities) are:

Deferred tax asset (liability)	2024	2023
Liability for incurred claims	$ 456,075	$ 696,097
IFRS 17 transitional adjustment	(597,572)	(796,946)
Pension liability	4,719	-
Property, plant & equipment	(41,417)	(60,860)
	$ (178,195)	$ (161,709)

As at December 31, 2024, a deferred tax liability of $178,195 (2023 – $161,709) has been recorded. The utilization of this tax liability is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered through future rates.

11. PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment

Property, plant & 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 on a declining balance basis over the estimated useful lives of the assets.

Property, plant and equipment

		2024		
	Depreciation Rate	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Land	**N/A**	**$ 608,343**	**$ -**	**$ 608,343**
Building	**4%, 8%**	**4,107,042**	**1,415,259**	**2,691,783**
Office equipment	**20%**	**378,373**	**300,592**	**77,781**
Computer equipment	**45%**	**833,993**	**614,610**	**219,383**
Vehicles	**30%**	**841,634**	**432,426**	**409,208**
Land improvements	**8%**	**124,172**	**57,919**	**66,253**
		$ 6,893,557	**$ 2,820,806**	**$ 4,072,751**

		2023		
	Depreciation Rate	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 608,343	$ -	$ 608,343
Building	4%, 8%	4,010,249	1,288,458	2,721,791
Office equipment	20%	381,729	301,875	79,854
Computer equipment	45%	629,737	470,128	159,609
Vehicles	30%	684,633	429,080	255,553
Land improvements	8%	106,693	52,158	54,535
		$ 6,421,384	$ 2,541,699	$ 3,879,685

12. PREPAID SOFTWARE COSTS

In December 2021, the Company entered into an agreement with third-party vendors to build a new cloud-based enterprise resource planning (ERP) system. Implementation costs related to the configuration and customization of underlying software are considered to be not distinct from the access to the software and are therefore recognized over the life of the service contract.

As at December 31, 2024, the development of the new ERP system remains in progress. To date $6.95 million of implementation costs have been incurred and are being classified as a prepaid software asset. Upon activation of the system, these costs will be expensed over the service contract, which is being estimated at ten years.

13. PENSION PLAN

The Company has a defined contribution plan providing pension benefits to eligible employees. The total plan expense for the Company's defined contribution plan for 2024 was $484,441 (2023 - $412,809).

14. 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		
Short term employee benefits and director's fees	**$ 1,320,482**	$ 1,684,546
Total pension and other post-employment benefits	**98,612**	104,314
	$ 1,419,094	$ 1,788,860
Premiums	**$ 64,353**	$ 77,391
Claims	**$ 9,004**	$ 144,786