BAY OF QUINTE MUTUAL INSURANCE CO.

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

WILKINSON

BAY OF QUINTE MUTUAL INSURANCE CO.

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WILKINSON

INDEPENDENT AUDITOR'S REPORT

To the Policyholders of
Bay of Quinte Mutual Insurance Co.

Opinion

We have audited the financial statements of Bay of Quinte Mutual Insurance Co. (the Company), which comprise the statement of financial position as at December 31, 2023 and the statements of surplus and resources for protection of policyholders, comprehensive income 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, 2023, 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 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 the 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 these 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.

Telephone 613-966-5105 • Toll Free 1-888-728-3890 • Fax 613-962-7072
888 Sidney Street, Belleville, Ontario K8N 4Z5 • www.wilkinson.net

INDEPENDENT AUDITOR'S REPORT
(CONT'D)

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.

Wilkinson & Company LLP

BELLEVILLE, Canada
February 14, 2024

Chartered Professional Accountants
Licensed Public Accountants

BAY OF QUINTE MUTUAL INSURANCE CO.
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

	December 31, 2023 $	December 31, 2022 $ (Restated)	January 1, 2022 $ (Restated)
ASSETS			
Cash	**4,087,560**	4,702,287	5,663,397
Portfolio investments - Note 4	**61,818,711**	52,977,185	57,768,149
Accrued interest	**774,617**	654,672	516,511
Income taxes recoverable		1,563,452	
Reinsurance contract assets - Note 5	**3,290,050**	2,789,157	1,238,912
Prepaid expenses	**33,855**	96,917	2,853
Property, plant and equipment - Note 6	**841,064**	638,286	626,087
	70,845,857	63,421,956	65,815,909
LIABILITIES			
Accounts payable and accrued liabilities	**1,089,173**	806,928	1,521,287
Income taxes payable	**1,959,435**		826,011
Provision for refund of premiums		110,351	3,510,109
Insurance contract liabilities - Note 5	**13,205,850**	13,896,696	10,543,968
Deferred income taxes - Note 7	**453,000**	530,000	282,000
	16,707,458	15,343,975	16,683,375
POLICYHOLDERS' SURPLUS			
Surplus and resources for protection of policyholders	**54,138,399**	48,077,981	49,132,534
	70,845,857	63,421,956	65,815,909

APPROVED ON BEHALF OF THE BOARD

George R. Taylor Director

Connie Reid Director

The accompanying notes form an integral part of these financial statements

BAY OF QUINTE MUTUAL INSURANCE CO.
STATEMENT OF SURPLUS AND RESOURCES FOR PROTECTION OF POLICYHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 $	2022 $ (Restated)
BALANCE - BEGINNING OF YEAR	**48,077,981**	49,132,534
COMPREHENSIVE INCOME (LOSS) FOR YEAR	**6,060,418**	(1,054,553)
BALANCE - END OF YEAR	**54,138,399**	48,077,981

BAY OF QUINTE MUTUAL INSURANCE CO.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 $	2022 $ (Restated)
INSURANCE SERVICE INCOME		
Insurance revenue	**29,373,024**	27,731,281
Insurance service expense - Note 8	**(22,967,271)**	(25,454,202)
	6,405,753	2,277,079
NET EXPENSE FROM REINSURANCE CONTRACTS HELD	**(1,528,055)**	(595,220)
INSURANCE SERVICE RESULT	**4,877,698**	1,681,859
INVESTMENT INCOME (LOSS) - Note 12	**4,320,845**	(2,455,917)
FINANCE INCOME (EXPENSE)		
Finance income (expense) from insurance contracts issued	**(520,061)**	89,741
Finance income (expense) from reinsurance contracts held	**84,446**	(8,619)
	(435,615)	81,122
GENERAL AND OPERATING EXPENSES - Note 8	**(819,110)**	(843,717)
COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAXES	**7,943,818**	(1,536,653)
INCOME TAX EXPENSE (RECOVERY)		
Current - Note 7	**1,960,400**	(730,100)
Deferred - Note 7	**(77,000)**	248,000
	1,883,400	(482,100)
COMPREHENSIVE INCOME (LOSS) FOR YEAR	**6,060,418**	(1,054,553)

BAY OF QUINTE MUTUAL INSURANCE CO.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 **$**	2022 $ (Restated)
OPERATING ACTIVITIES		
Comprehensive income (loss) for year	**6,060,418**	(1,054,553)
Adjustment for items which do not affect cash		
Depreciation of property, plant and equipment	**117,032**	54,413
Realized gains on disposal of portfolio investments - Note 12	**(641,139)**	(585,796)
Change in unrealized gain on portfolio investments - Note 12	**(1,825,247)**	4,439,363
Decrease (increase) in deferred income tax asset	**(77,000)**	248,000
	3,634,064	3,101,427
Net change in non-cash working capital balances related to operations - Note 10	**2,446,159**	(4,933,322)
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	**6,080,223**	(1,831,895)
INVESTING ACTIVITIES		
Purchase of portfolio investments	**(14,466,627)**	(8,378,784)
Proceeds on sale of portfolio investments	**8,091,486**	9,316,182
Purchase of property, plant and equipment	**(319,809)**	(66,613)
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES	**(6,694,950)**	870,785
DECREASE IN CASH AND CASH EQUIVALENTS FOR YEAR	**(614,727)**	(961,110)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**4,702,287**	5,663,397
CASH AND CASH EQUIVALENTS - END OF YEAR	**4,087,560**	4,702,287
REPRESENTED BY:		
Cash	**4,087,560**	4,702,287

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. NATURE OF BUSINESS OPERATIONS

(a) Reporting Entity

The Company was incorporated without share capital on August 11, 1874 under the laws of the Province of Ontario as a mutual insurance company and is subject to the Insurance Act (Ontario). It is licensed to conduct its principal business activity which is to write property and liability insurance in Ontario. The Company's head office is located at 13379 Loyalist Parkway, Picton, Ontario, Canada.

These financial statements have been authorized for issue by the Board of Directors on February 14, 2024.

(b) Basis of Presentation

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

These financial statements were prepared under the historical cost convention.

The Company presents the statement of financial position in order of liquidity with a distinction based on expectations regarding recovery or settlement within twelve months after the date of the statement of financial position (current) and more than twelve months after the date of the statement of financial position (non-current), as described below.

The following balances are generally classified as current unless otherwise disclosed in the notes to these financial statements: cash and cash equivalents, portfolio investments, accrued interest, income taxes recoverable, reinsurance contract assets, prepaid expenses, accounts payable and accrued liabilities, income taxes payable and insurance contract liabilities.

The following balances are generally classified as non-current unless otherwise noted in these financial statements: property, plant and equipment and deferred income taxes.

The Company's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS 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 a higher degree of judgment of complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(a).

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES

The Company follows International Financial Reporting Standards (IFRS), which comply with the requirements for filing with the Financial Services Regulatory Authority of Ontario. Those accounting policies considered to be particularly significant are as follows:

(a) Changes in Accounting Policies and Disclosures

In these financial statements, the Company has applied IFRS 17 Insurance Contracts for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 - Insurance Contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts for annual periods beginning on or after January 1, 2023.

The Company has restated comparative information for 2022. The nature of the changes in accounting policies can be summarized as follows:

(i) Changes to Classification and Measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. However, 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) as the coverage period for all contracts (insurance and/or reinsurance contracts held) are one year or less. The PAA simplifies the measurement of the Liabilities for Remaining Coverage (LFRC) for insurance contracts and Assets for Remaining Coverage for reinsurance contracts held (AFRC) in comparison with the General Measurement Model (GMM) in IFRS 17.

2. ACCOUNTING POLICIES (Cont'd)

(a) Changes in Accounting Policies and Disclosures (Cont'd)

(i) Changes to Classification and Measurement (Cont'd)

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- 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, if any.
- Measurement of the liability for incurred claims (previously provision for unpaid claims and adjustment expenses) 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 held is explained in Note 2(b).

(ii) Changes to Presentation and Disclosures

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

- Insurance contracts issued that are liabilities
- Insurance contracts issued that are assets
- Reinsurance contracts held that are assets
- Reinsurance contracts held that are liabilities

Insurance contracts issued include any assets for insurance acquisition cash flows.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(a) Changes in Accounting Policies and Disclosures (Cont'd)

(ii) Changes to Presentation and Disclosures (Cont'd)

The line-item descriptions in the statement of comprehensive income have been changed significantly compared with IFRS 4. Changes to the line-item descriptions include:

Under IFRS 4, the Company presented:	IFRS 17 requires separate presentation of:
Gross written premiums Increase in unearned premiums Net premiums earned	Insurance revenue
Gross claims and adjusting expenses Net premium acquisition expenses	Insurance service expense
Reinsurer's share of claims and adjusting expenses	Income or expenses from reinsurance contracts held
N/A	Insurance finance income or expenses Reinsurance finance income or expense

(iii) Transition

The Company applied the full retrospective approach to transition from IFRS 4 to IFRS 17 for insurance contracts and reinsurance contracts held. On the transition date, January 1, 2022, the Company:

- Has identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied;
- Derecognized any existing balances that would not exist had IFRS 17 always applied; and
- Recognized any resulting net difference in policyholders' surplus.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(a) Changes in Accounting Policies and Disclosures (Cont'd)

(iii) Transition (Cont'd)

The adoption of IFRS 17 results in the following adjustments to the previously reported assets, liabilities and surplus of the Company as at December 31, 2022:

	Previously Reported $	Transition $	IFRS17 $
Reinsurance contract assets			
Reinsurer's share of provision for unpaid claims and adjustment expenses	2,918,681	(2,918,681)	
Due to reinsurer	(123,336)	123,336	
Reinsurance contract assets		2,789,157	2,789,157
	2,795,345	(6,188)	2,789,157
Insurance contract liabilities and accounts payable and accrued liabilities			
Accounts receivable			
Agents and policyholders	8,719,629	(8,719,629)	
Deferred policy acquisition expenses	2,839,123	(2,839,123)	
Provision for unpaid claims and adjustment expenses	(12,831,520)	12,831,520	
Unearned premiums	(14,842,116)	14,842,116	
Insurance contract liabilities		(13,896,696)	(13,896,696)
	(16,114,884)	2,218,188	(13,896,696)
Deferred income taxes			
Deferred income taxes	77,000	(607,000)	(530,000)
Surplus and resources for the protection of policyholders			
Surplus and resources for the protection of policyholders	(46,472,983)	(1,604,998)	(48,077,981)

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(b) Insurance and Reinsurance Contracts

(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 and liability. These products offer protection of a 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.

The Company's products do not include any distinct components that require separation.

(iii) Levels of Aggregation

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. The Company's portfolios for insurance contracts are personal property and liability and commercial property and liability (including farm).

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.

The profitability of groups of contracts is assessed annually 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.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(b) Insurance and Reinsurance Contracts (Cont'd)

(iii) Levels of Aggregation (Cont'd)

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 by 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. The Company's portfolios for reinsurance contracts are property, liability and catastrophe.

The Company is not expected to have onerous insurance or reinsurance contracts held on initial recognition or insurance or reinsurance contracts held with no significant possibility of becoming onerous.

(iv) Recognition

The Company recognizes groups of insurance contracts it issues from the earlier 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; and
- 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.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(b) Insurance and Reinsurance Contracts (Cont'd)

(iv) Recognition (Cont'd)

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

The Company recognizes groups of insurance contracts based on underwriting year.

The Company uses underwriting year to classify contracts into cohorts. The lowest unit of account is each insurance contract.

The Company is not expected to have onerous contracts.

(v) Contract Boundary

The Company includes in the measurement of a group of insurance contracts all 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) Measurement – Premium Allocation Approach

Eligibility

The Company's insurance contracts and reinsurance contacts held are for a duration of one year or less which automatically qualifies these contracts for the premium allocation approach.

Insurance acquisition cash flows

For all contracts, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortized over the coverage period of the related group.

Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money

For LFRC, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(b) Insurance and Reinsurance Contracts (Cont'd)

(vi) Measurement – Premium Allocation Approach (Cont'd)

Liability for Incurred Claims (LFIC), adjusted for time value of money

For LFIC, adjustments are made for the time value of money. The change in liabilities for incurred claims as a result of changes in discount rates will be captured within profit or loss as part of the insurance finance income and expense.

(vii) 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.

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; and
- 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 recognises a loss in profit or loss 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.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(b) Insurance and Reinsurance Contracts (Cont'd)

(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 amortisation of the insurance acquisition cash flows recognized as an expense in the reporting period for the group; and
- 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, including an adjustment for non-financial risk (the risk adjustment).

(ix) Salvage and Subrogation Recoverable

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

Where the Company indemnifies policyholders against a liability claim, it acquires rights to subrogate its claim against other parties. These claims are recognized when funds are received, and are netted against insurance service expense.

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

2. ACCOUNTING POLICIES (Cont'd)

(b) Insurance and Reinsurance Contracts (Cont'd)

(xi) Insurance Contracts – Modification and Derecognition

The Company derecognizes insurance contracts when the rights and obligations relating to the relevant contracts are extinguished.

(xii) Reinsurance Contracts – Initial and Subsequent 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), adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

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 contracts held.

(xiii) Presentation

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.

(xiv) 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.

(xv) Loss Components

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. The Company is not expected to have onerous contracts.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(b) Insurance and Reinsurance Contracts (Cont'd)

(xvi) Loss-Recovery Components

If the Company recognizes a loss on an onerous group of contracts, 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. The Company is not expected to have onerous contracts.

(xvii) 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 profit or loss each period.

(xviii) Net Expense or Income 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.

(xix) Liability Adequacy Test

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

(c) Accounting Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(c) Accounting Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The Company consolidates information and does not provide a separate breakdown for its major product lines; instead, it presents them as a unified portfolio.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Insurance Contracts – Liability for Remaining Coverage

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.

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. The Company is not expected to have onerous contracts.

(ii) Insurance Contracts – Liability for Incurred Claims

The estimation of the provision for the liability for incurred claims is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered by the Company in estimating the amount that will ultimately be paid on these claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts or significant changes in severity or frequency of claims from historical trends. The estimates are based on the Company's historical experience and industry experience.

The ultimate cost of outstanding claims is estimated by using a range of 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. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, 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 uncertainties involved. Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(c) Accounting Estimates (Cont'd)

(iii) Discount Rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable, using the Fiera curve.

	1 year		3 years		5 years		Over 5 years	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$	$	**$**	$	**$**	$	**$**	$
Insurance contract liabilities	**4.52%**	4.41%	**3.70%**	3.97%	**3.53%**	3.86%	**3.77%**	4.08%
Reinsurance contract assets	**4.52%**	4.41%	**3.70%**	3.97%	**3.53%**	3.86%	**3.77%**	4.08%

(iv) 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 uses the Cost of Capital approach to estimate the risk adjustment based on a target return on capital, reflecting the compensation required for non-financial risk. Through this evaluation of future cash flow distributions, the Company has determined that the required compensation is at the 50%-60% confidence level.

(v) Income Taxes

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/asset 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/assets.

(vi) Classification of Financial Assets at Fair Value Through Profit or Loss (FVTPL)

The classification of financial assets at FVTPL includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding. See Note 2(f) for further information on the Company's business model.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(d) Structured Settlements, Fire Mutuals Guarantee Fund and Financial Guarantee Contracts

The Company has the ability to enter 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 fulfil 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 and unearned premiums if a member company becomes bankrupt. As a result, the Company may be required to contribute assets to their proportionate share in meeting this objective.

(e) Financial Instruments

The Company classifies its financial instruments into one of the following categories based on the business model in which they are held and the characteristics of their contractual cash flows. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

(i) Amortized Cost

Financial Assets

Financial assets measured at amortized cost are non-derivative and resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any estimated credit loss.

The IFRS 9 impairment model requires impairment allowances for all exposures from the time a financial asset is originated, based on the deterioration of credit risk (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) since initial recognition. This is based on the history of all credit losses for similar financial assets. If the credit risk has not increased significantly, the Company sets up an allowance based on 12-month expected losses. If the credit risk has increased significantly and if the loan is credit impaired, the Company will set up an allowance based on lifetime expected losses. For amounts due from policyholders and reinsurers, which are reported net, such allowance is recorded in a separate allowance account with the loss being recognized in comprehensive income. On confirmation that the amounts receivable will not be collectable, the gross carrying value of the financial asset is written off against the associated allowance.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(e) Financial Instruments (Cont'd)

(i) Amortized Cost (Cont'd)

Financial Liabilities

Financial liabilities comprise accounts payable and other short-term monetary liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carrying in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(ii) Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified in this category if it is held for trading and acquired principally for selling in the short term, or if upon initial recognition the Company designates it as such. Derivatives are also classified as held for trading unless they are designated hedges. Fair value through profit or loss instruments are carried at fair value on the statement of financial position with changes in fair value recorded in the statement of comprehensive income (loss).

The Company uses settlement date accounting for the purchase and sale of equity instruments. Accounting for interest and dividends is described in Note 2(f).

(iii) Classification

The classifications of financial instruments are outlined in Note 3 to these financial statements.

(f) Portfolio Investments

Portfolio investments, which include fixed-income securities, equities and mutual/pooled funds, are classified as FVTPL and are initially recorded at their acquisition cost (fair value) on the date of trade. The Company manages and evaluates performance of its fixed-income securities, as well as equities and mutual/pooled funds, on a fair value basis in accordance with a documented investment strategy. The instruments are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Portfolio investments are subsequently adjusted to fair value as at the date of the statement of financial position and the corresponding unrealized gains and losses are recorded in comprehensive income.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. ACCOUNTING POLICIES (Cont'd)

(g) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at acquisition cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Gains or losses on the disposal of individual assets are recognized in comprehensive income in the year of disposal. Depreciation is provided on the bases as detailed below:

Asset	Basis	Rate
Building	Straight-line	5%
Computer equipment	Straight-line	33%
Office furniture and fixtures	Straight-line	10%

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

(h) Income Taxes

Income tax expense (recovery) is comprised of current and deferred tax. Current tax and deferred tax are recognized in comprehensive income (loss) except to the extent they relate to a business combination or items recognized directly in equity or in other earnings.

Current income taxes are recognized for the estimated income taxes payable or recoverable 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, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination, and which at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This 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).

2. ACCOUNTING POLICIES (Cont'd)

(i) Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal, equitable or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(j) Accounts Receivable

Accounts receivable are classified as amortized cost and are measured at initial recognition at fair value and are expected to be settled within one year. See Note 2(e)(i) to these financial statements for discussion regarding the impairment model. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income (loss).

(k) Post-employment Benefits - Pension Plan

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

(l) Post-Employment Benefits - Non-Pension Benefits

The Company participates in a multi-employer health and dental benefit plan that provides post-employment extended health and dental benefits to eligible retired employees. Entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. There are no employee contributions and the benefits are not funded.

The accrued obligation is based on the present value of expected future benefit plan payments once an employee reaches the age of eligibility. This method includes various estimates including retirement dates and ages of employees, expected extended health and dental benefit plan costs and related factors. Such estimates are subject to uncertainty.

The accrued obligation is included in accounts payable and accrued liabilities in the statement of financial position.

(m) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit.

(n) Standards, Amendments and Interpretations Not Yet Effective

The Company is not aware of any standards, amendments or interpretations that have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2024 or later periods.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. FINANCIAL INSTRUMENT CLASSIFICATION

The carrying amount of the Company's financial instruments by classification is as follows:

	Fair Value Through Profit or Loss $	**Amortized Cost $**	**Total $**
December 31, 2023			
Cash	**4,087,560**		**4,087,560**
Portfolio investments - Note 4	**61,818,711**		**61,818,711**
Accrued interest		**774,617**	**774,617**
Accounts payable and accrued liabilities		**(1,089,173)**	**(1,089,173)**
	65,906,271	**(314,556)**	**65,591,715**

	Fair Value Through Profit or Loss $	Amortized Cost $	Total $
December 31, 2022			
Cash	4,702,287		4,702,287
Portfolio investments - Note 4	52,977,185		52,977,185
Accrued interest		654,672	654,672
Accounts payable and accrued liabilities		(806,928)	(806,928)
Provision for refund of premiums		(110,351)	(110,351)
	57,679,472	(262,607)	57,416,865

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. PORTFOLIO INVESTMENTS

As noted in Note 2(f) to these financial statements, portfolio investments are classified as fair value through profit or loss and are adjusted to market value as at the date of the statement of financial position.

The cost and fair market values of the investments are as follows:

	2023		2022	
	Cost $	**Fair Value $**	Cost $	Fair Value $
Term deposits and GICs	**12,314,768**	**12,374,815**	11,435,000	11,441,953
Fixed-income securities				
Federal government	**100,644**	**99,712**	1,095,986	1,084,252
Provincial government	**5,310,049**	**5,494,329**	5,846,402	5,931,995
Municipal government	**352,559**	**339,751**	353,451	334,355
Canadian Corporate - Rated A or better	**17,851,826**	**17,594,249**	10,338,313	9,766,631
Canadian Corporate - Rated less than A	**2,004,128**	**1,998,825**	1,700,091	1,656,811
	25,619,206	**25,526,866**	19,334,243	18,774,044
Guarantee Fund	**47,202**	**47,202**	46,600	46,600
Equities and Mutual/Pooled Funds				
Preferred shares	**4,475,856**	**3,828,150**	4,170,431	3,407,820
Common shares	**7,677,660**	**10,337,637**	7,655,516	9,760,168
Mutual and pooled funds	**7,892,510**	**8,127,051**	8,369,132	8,296,434
Canadian Corporate - private corporation	**1,000,000**	**1,576,990**	1,000,000	1,250,166
	21,046,026	**23,869,828**	21,195,079	22,714,588
	59,027,202	**61,818,711**	52,010,922	52,977,185

The effective interest rates range from 0.80% to 7.60% (0.80% to 7.60% for December 31, 2022).

The maximum exposure to credit risk would be the fair market value as shown above.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. PORTFOLIO INVESTMENTS (Cont'd)

Fair Market Value

The estimated fair market value of bonds and debentures is based on quoted market values. The estimated market value of preference and common shares is determined using the last bid price. The fair value determination of the private corporation investment is further discussed at the end of Note 15 to these financial statements.

Maturity Profile

The expected maturity dates for fixed-income securities, term deposits and GICs are as follows:

	2023 **$**	2022 $
Maturing within one year	**6,780,383**	5,926,211
Maturing between one and five years	**21,839,020**	22,160,812
Maturing over five years	**9,282,278**	2,128,974
	37,901,681	30,215,997

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5. INSURANCE AND REINSURANCE CONTRACTS

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. (* PVFCF = present value of future cash flows)

	Liabilities - Remaining Coverage		Liabilities - Incurred Claims		
	Excluding Loss Component $	Loss Component $	Estimates of PVFCF $	Risk Adjustments $	2023 Total $
INSURANCE CONTRACT LIABILITIES - BEGINNING OF YEAR	2,342,885	NIL	11,362,414	192,193	13,897,492
INSURANCE REVENUE	(29,373,024)	NIL	NIL	NIL	(29,373,024)
INSURANCE SERVICE EXPENSES					
Incurred claims and other directly attributable expenses			13,923,634	135,280	14,058,914
Insurance acquisition cash flows amortization	7,878,893				7,878,893
	7,878,893	NIL	13,923,634	135,280	21,937,807
Changes that relate to past service - adjustment to the LIC			1,066,348	(36,883)	1,029,465
	7,878,893	NIL	14,989,982	98,397	22,967,272
INSURANCE SERVICE RESULT	(21,494,131)	NIL	14,989,982	98,397	(6,405,752)
Insurance finance expenses			520,061		520,061
CHANGES IN STATEMENT OF COMPREHENSIVE INCOME	(21,494,131)	NIL	15,510,043	98,397	(5,885,691)
CASH FLOWS					
Premiums received	29,929,410				29,929,410
Claims and other directly attributable expenses paid			(16,280,956)		(16,280,956)
Insurance acquisition cash flows	(8,454,405)				(8,454,405)
TOTAL CASH FLOWS	21,475,005	NIL	(16,280,956)	NIL	5,194,049
INSURANCE CONTRACT LIABILITIES - END OF YEAR	2,323,759	NIL	10,591,501	290,590	13,205,850

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5. INSURANCE AND REINSURANCE CONTRACTS (Cont'd)

Insurance Contracts (Cont'd)

	Liabilities - Remaining Coverage		Liabilities - Incurred Claims		
	Excluding Loss Component $	Loss Component $	Estimates of PVFCF $	Risk Adjustments $	2022 Total $
INSURANCE CONTRACT LIABILITIES - BEGINNING OF YEAR	1,983,580	NIL	8,172,490	387,898	10,543,968
INSURANCE REVENUE	(27,731,281)	NIL	NIL	NIL	(27,731,281)
INSURANCE SERVICE EXPENSES					
Incurred claims and other directly attributable expenses			18,711,014	95,258	18,806,272
Insurance acquisition cash flows amortization	7,775,554				7,775,554
	7,775,554	NIL	18,711,014	95,258	26,581,826
Changes that relate to past service - adjustment to the LIC			(836,662)	(290,963)	(1,127,625)
	7,775,554	NIL	17,874,352	(195,705)	25,454,201
INSURANCE SERVICE RESULT	(19,955,727)	NIL	17,874,352	(195,705)	(2,277,080)
Insurance finance expenses			(89,741)		(89,741)
CHANGES IN STATEMENT OF COMPREHENSIVE INCOME	(19,955,727)	NIL	17,784,611	(195,705)	(2,366,821)
CASH FLOWS					
Premiums received	27,831,282				27,831,282
Claims and other directly attributable expenses paid			(14,594,687)		(14,594,687)
Insurance acquisition cash flows	(7,516,250)				(7,516,250)
TOTAL CASH FLOWS	20,315,032	NIL	(14,594,687)	NIL	5,720,345
INSURANCE CONTRACT LIABILITIES - END OF YEAR	2,342,885	NIL	11,362,414	192,193	13,897,492

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5. INSURANCE AND REINSURANCE CONTRACTS (Cont'd)

Reinsurance Contracts

The Company provides disclosure for its entire reinsurance portfolio on an overall basis without further disaggregating information based on specific reinsurance lines or segments. This approach aligns with the Company's management and reporting practices. (* PVFCF = present value of future cash flows)

	Assets - Remaining Coverage		Assets - Incurred Claims		
	Excluding Loss Recovery Component $	Loss Recovery Component $	Estimates of PVFCF $	Risk Adjustments $	2023 Total $
REINSURANCE CONTRACT LIABILITIES - BEGINNING OF YEAR	(47,792)				(47,792)
REINSURANCE CONTRACT ASSETS - BEGINNING OF YEAR			2,773,652	63,297	2,836,949
NET BALANCE ASSET (LIABILITY) - BEGINNING OF YEAR	(47,792)	NIL	2,773,652	63,297	2,789,157
NET INCOME (EXPENSES) FROM REINSURANCE CONTRACTS HELD					
Allocation of reinsurance premiums	(4,125,939)				(4,125,939)
Amounts recoverable from reinsurers for incurred claims and other expenses			(374,656)	16,626	(358,030)
Changes to amounts recoverable for incurred claim			2,979,905	(23,992)	2,955,913
	(4,125,939)	NIL	2,605,249	(7,366)	(1,528,056)
Reinsurance finance income			84,446		84,446
TOTAL CHANGES IN STATEMENT OF COMPREHENSIVE INCOME	(4,125,939)	NIL	2,689,695	(7,366)	(1,443,610)
CASH FLOWS					
Premiums paid net of ceding commissions and other directly attributable expenses paid	3,997,217				3,997,217
Amounts received			(2,052,714)		(2,052,714)
TOTAL CASH FLOWS	3,997,217	NIL	(2,052,714)	NIL	1,944,503
REINSURANCE CONTRACT LIABILITIES - END OF YEAR	(176,514)				(176,514)
REINSURANCE CONTRACT ASSETS - END OF YEAR			3,410,633	55,931	3,466,564
NET BALANCE ASSET (LIABILITY) - END OF YEAR	(176,514)	NIL	3,410,633	55,931	3,290,050

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5. INSURANCE AND REINSURANCE CONTRACTS (Cont'd)

Reinsurance Contracts (Cont'd)

	Assets - Remaining Coverage		Assets - Incurred Claims		
	Excluding Loss Recovery Component $	Loss Recovery Component $	Estimates of PVFCF $	Risk Adjustments $	2022 Total $
REINSURANCE CONTRACT LIABILITIES - BEGINNING OF YEAR	(49,160)				(49,160)
REINSURANCE CONTRACT ASSETS - BEGINNING OF YEAR			1,240,740	47,332	1,288,072
NET BALANCE ASSET (LIABILITY) - BEGINNING OF YEAR	(49,160)	NIL	1,240,740	47,332	1,238,912
NET INCOME (EXPENSES) FROM REINSURANCE CONTRACTS HELD					
Allocation of reinsurance premiums	(3,972,518)				(3,972,518)
Amounts recoverable from reinsureres for incurred claims and other expenses			3,264,338	28,552	3,292,890
Changes to amounts recoverable for incurred claim			96,995	(12,587)	84,408
	(3,972,518)	NIL	3,361,333	15,965	(595,220)
Reinsurance finance income			(8,619)		(8,619)
TOTAL CHANGES IN STATEMENT OF COMPREHENSIVE INCOME	(3,972,518)	NIL	3,352,714	15,965	(603,839)
CASH FLOWS					
Premiums paid net of ceding commissions and other directly attributable expenses paid	3,973,886				3,973,886
Amounts received			(1,819,802)		(1,819,802)
TOTAL CASH FLOWS	3,973,886	NIL	(1,819,802)	NIL	2,154,084
REINSURANCE CONTRACT LIABILITIES - END OF YEAR	(47,792)				(47,792)
REINSURANCE CONTRACT ASSETS - END OF YEAR			2,773,652	63,297	2,836,949
NET BALANCE ASSET (LIABILITY) - END OF YEAR	(47,792)	NIL	2,773,652	63,297	2,789,157

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5. INSURANCE AND REINSURANCE CONTRACTS (Cont'd)

The determination of the liability for incurred claims and the related assets for incurred claims requires the estimation of the following variables: development of claims and reinsurance recoveries. The estimates are based on the Company's historical experience and classified as follows:

	2023		2022	
	Gross	**Ceded**	Gross	Ceded
	$	**$**	$	$
Short settlement term	**9,208,405**	**3,514,427**	7,068,584	1,273,256
Long settlement term	**1,604,089**	**145,744**	3,967,936	1,645,425
Incurred but not reported (IBNR) and risk adjustment	**69,599**	**(297,308)**	518,088	(81,732)
	10,882,093	**3,362,863**	11,554,608	2,836,949

Short settlement term is defined as expected settlement within one year, long settlement term is defined as expected settlement of more than one year.

Comments and Assumptions for Specific Claims Categories

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

5. INSURANCE AND REINSURANCE CONTRACTS (Cont'd)

Claims Development

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

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.

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR 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.

	2023			2022		
	Estimates of the PVFCF $ (000's)	**Risk Adjustment $ (000's)**	**Total $ (000's)**	Estimates of the PVFCF $ (000's)	Risk Adjustment $ (000's)	Total $ (000's)
Total gross liabilities for incurred claims	**10,591**	**291**	**10,882**	11,362	192	11,554
Amounts recoverable from reinsurance	**(3,307)**	**(56)**	**(3,363)**	(2,774)	(63)	(2,837)
Total net liabilities for incurred claims	**7,284**	**235**	**7,519**	8,588	129	8,717

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

5. INSURANCE AND REINSURANCE CONTRACTS (Cont'd)

Claims Development (Cont'd)

The tables that follow present the development of the estimated ultimate cost of claims (less claim payments) for the claim years 2014 to 2023. The first table presents the claims on a gross basis and the second table presents the claims net of reinsurance recoveries. The columns show the claim occurrence year and begin with the original estimated ultimate cost of claims in that year. The changes in the estimates are provided in the corresponding subsequent rows, along with the current estimate for the year ending December 31, 2023, less cumulative payments. The original estimates will be increased or decreased as more information becomes known about the original claims and overall claim frequency and severity.

Gross Claims

	2014 $ (000's)	2015 $ (000's)	2016 $ (000's)	2017 $ (000's)	2018 $ (000's)	2019 $ (000's)	2020 $ (000's)	2021 $ (000's)	2022 $ (000's)	2023 $ (000's)	Total $ (000's)
Gross estimate of cumulative claims costs											
At the end year of claim	10,822	17,377	16,437	14,371	13,595	17,074	12,335	8,834	18,080	12,801	
One year later	10,308	16,367	15,420	13,794	12,330	16,321	11,286	8,845	17,957		
Two years later	10,255	16,317	15,155	13,052	12,339	15,926	10,795	8,601			
Three years later	10,089	16,611	14,871	13,118	12,522	15,695	11,185				
Four years later	9,999	16,008	14,829	13,254	12,589	15,591					
Five years later	9,924	16,013	14,781	13,133	12,504						
Six years later	9,951	15,844	14,774	13,215							
Seven years later	9,979	15,780	14,649								
Eight years later	9,979	15,681									
Nine years later	9,979										
Current estimate of cumulative claims cost	9,979	15,681	14,649	13,215	12,504	15,591	11,185	8,601	17,957	12,801	132,163
Cumulative payments	9,979	15,261	14,638	12,995	12,298	15,402	10,147	7,708	15,984	6,819	121,231
Outstanding claims	NIL	420	11	220	206	189	1,038	893	1,973	5,982	10,932
Outstanding claims 2013 and prior											39
Gross undiscounted LFIC											10,971
Risk adjustment											291
Effect of discounting											(568)
Other attributable expenses											188
Gross LFIC											10,882

BAY OF QUINTE MUTUAL INSURANCE CO.
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5. INSURANCE AND REINSURANCE CONTRACTS (Cont'd)

Claims Development (Cont'd)

Net Claims

	2014 $ (000's)	2015 $ (000's)	2016 $ (000's)	2017 $ (000's)	2018 $ (000's)	2019 $ (000's)	2020 $ (000's)	2021 $ (000's)	2022 $ (000's)	2023 $ (000's)	Total $ (000's)
Net estimate of cumulative claims costs											
At the end year of claim	10,448	12,403	12,091	10,738	12,264	14,660	11,817	7,992	14,547	10,815	
One year later	10,041	11,823	11,787	9,981	11,167	14,235	10,981	8,031	13,978		
Two years later	9,988	12,035	11,715	9,506	11,175	13,563	10,507	7,686			
Three years later	9,822	12,250	11,497	9,594	11,358	13,361	10,736				
Four years later	9,732	12,271	11,471	9,733	11,425	13,250					
Five years later	9,657	12,322	11,424	9,612	11,335						
Six years later	9,684	12,128	11,417	9,695							
Seven years later	9,712	12,163	11,384								
Eight years later	9,712	12,064									
Nine years later	9,712										
Current estimate of cumulative claims cost	9,712	12,064	11,384	9,695	11,335	13,250	10,736	7,686	13,978	10,815	110,655
Cumulative payments	9,712	11,686	11,373	9,474	11,139	13,217	9,860	6,895	13,050	6,727	103,133
Outstanding claims	NIL	378	11	221	196	33	876	791	928	4,088	7,522
Outstanding claims 2013 and prior											13
Net undiscounted LFIC											7,535
Risk adjustment											235
Effect of discounting											(439)
Other attributable expenses											188
Net LFIC											7,519

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

6. PROPERTY, PLANT AND EQUIPMENT

	Land $	Building $	Computer Equipment $	Office Furniture and Fixtures $	Total $
Cost					
Balance on December 31, 2022	196,000	797,195	467,546	334,219	1,794,960
Additions		107,080	198,466	14,263	319,809
Balance on December 31, 2023	**196,000**	**904,275**	**666,012**	**348,482**	**2,114,769**
Accumulated Depreciation					
Balance on December 31, 2022		387,190	456,760	312,724	1,156,674
Depreciation expense		37,824	74,048	5,159	117,031
Balance on December 31, 2023	**NIL**	**425,014**	**530,808**	**317,883**	**1,273,705**
Net book value					
December 31, 2022	196,000	410,005	10,786	21,495	638,286
December 31, 2023	**196,000**	**479,261**	**135,204**	**30,599**	**841,064**

The Company's land and building were last valued at January 1, 2010. The land and building were subject to external valuation performed by S. Rayner & Associates Ltd., qualified professional appraiser adhering to the generally accepted Standards of Professional Practice and the Code of Ethics of the Appraisal Institute of Canada. The fair value of land and building was determined based on the midpoint of the income approach and direct comparison approach to value. Had the land and building not been accounted for using the revaluation model, on a historical cost basis, their net book values would have been approximately $51,000 and $146,000 respectively (2022 - $51,000 and $184,000).

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

7. INCOME TAX INFORMATION

The significant components of income tax expense (recovery) included in comprehensive income (loss) are composed of:

	2023	2022
	$	$
Current Tax Expense (Recovery)		
Based on current year taxable income	**1,960,400**	(730,100)
Deferred Tax Expense (Recovery)		
Reversal of prior year temporary differences	**(530,000)**	55,000
IFRS 17 transition adjustment		270,000
Current year temporary differences	**453,000**	(77,000)
	(77,000)	248,000
Total income tax expense (recovery)	**1,883,400**	(482,100)

Reasons for the difference between tax expense for the year and the expected income taxes based on the effective statutory tax rate are as follows:

	2023	2022
	$	$
Comprehensive income (loss) before taxes	**7,943,818**	(1,536,653)
Effective statutory rate	**26.50 %**	26.50 %
Expected taxes based on the effective statutory rate	**2,105,112**	(407,213)
Non-taxable dividends	**(127,889)**	(104,037)
Non-taxable portion of insurance contract liabilities, sick leave and post-employment benefits	**(20,586)**	33,417
Mark to market adjustment related to investments	**(86,608)**	(14,788)
Capital cost allowance/depreciation differences	**(33,682)**	3,463
Non-deductible expenses	**4,332**	3,972
IFRS 17 transition adjustment	**129,905**	(246,716)
Other	**(10,184)**	1,802
Total income tax expense (recovery)	**1,960,400**	(730,100)

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

7. INCOME TAX INFORMATION (Cont'd)

The movements in 2023 deferred tax assets and liabilities are:

	Opening Balance at January 1, 2023 $	**Recognized in Net Income $**	**Closing Balance at December 31, 2023 $**
Deferred Tax Assets			
Claims liabilities	**131,000**	**(34,000)**	**97,000**
Sick leave liability	**57,000**	**8,000**	**65,000**
Other	**8,000**	**6,000**	**14,000**
Deferred tax asset	**196,000**	**(20,000)**	**176,000**
Deferred Tax Liabilities			
Mark to market adjustment related to investments	**(66,000)**	**(21,000)**	**(87,000)**
Property, plant and equipment	**(53,000)**	**(33,000)**	**(86,000)**
IFRS 17 transition adjustment	**(607,000)**	**151,000**	**(456,000)**
Deferred tax liability	**(726,000)**	**97,000**	**(629,000)**
2023 net deferred tax movement	**(530,000)**	**77,000**	**(453,000)**

The movements in 2022 deferred tax assets and liabilities are:

	Opening Balance at January 1, 2022 $	Recognized in Net Income $	Closing Balance at December 31, 2022 $
Deferred Tax Assets			
Claims liabilities	95,000	36,000	131,000
Sick leave liability	59,000	(2,000)	57,000
Other	9,000	(1,000)	8,000
Deferred tax asset	163,000	33,000	196,000
Deferred Tax Liabilities			
Mark to market adjustment related to investments	(51,000)	(15,000)	(66,000)
Property, plant and equipment	(56,000)	3,000	(53,000)
IFRS 17 transition adjustment	(338,000)	(269,000)	(607,000)
Deferred tax liability	(445,000)	(281,000)	(726,000)
2022 net deferred tax movement	(282,000)	(248,000)	(530,000)

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
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7. INCOME TAX INFORMATION (Cont'd)

	2023 $	2022 $
Deferred Tax Assets		
Deferred tax assets to be recovered within 12 months	**162,000**	188,000
Deferred tax assets to be recovered after more than 12 months	**14,000**	8,000
	176,000	196,000
Deferred Tax Liabilities		
Deferred tax liabilities to be settled after within 12 months	**(114,000)**	
Deferred tax liabilities to be settled after more than 12 months	**(515,000)**	(726,000)
	(629,000)	(726,000)
Net deferred tax	**(453,000)**	(530,000)

The Company has a capital loss carry-forward balance for tax purposes of approximately $406,000 which may be used to reduce income taxes on specific taxable capital gains of future years. The deferred tax asset relating to this balance has not been recognized in these financial statements.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
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8. INSURANCE SERVICE EXPENSE

The breakdown of insurance service expenses by major product lines is presented below:

	2023 $	2022 $
Claims and benefits	**13,385,522**	16,102,750
Commissions and other insurance acquisition costs	**5,681,660**	5,793,860
Salaries and benefits	**1,766,589**	1,571,585
Directors fees	**215,039**	221,710
Professional fees (other than legal)	**106,268**	54,692
Legal fees	**54,638**	54,192
Loss prevention	**712,457**	613,858
Information technology	**783,982**	773,944
Licences and fees	**133,028**	107,017
Ontario premium taxes	**132,096**	119,365
Occupancy (including rent, leasing and maintenance)	**290,035**	277,188
Depreciation and amortization	**117,032**	54,413
Other	**408,035**	553,345
	23,786,381	26,297,919
REPRESENTED BY:		
Insurance service expenses	**22,967,271**	25,454,202
General and operating expenses	**819,110**	843,717
	23,786,381	26,297,919

9. SALARIES AND BENEFITS

Included in the below line items within the insurance service expense are the following amounts of salaries and benefits:

	2023 $	2022 $
Claims and benefits	**261,221**	194,786
Commissions and other insurance acquisition costs	**457,133**	245,837
Loss prevention	**567,245**	503,378

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
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10. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

Cash provided from (used in) non-cash working capital is compiled as follows:

	2023 $	2022 $
(INCREASE) DECREASE IN CURRENT ASSETS		
Accrued interest	**(119,945)**	(138,161)
Income taxes recoverable	**1,563,452**	(1,563,452)
Reinsurance contract assets	**(500,893)**	(1,536,500)
Prepaid expenses	**63,062**	(94,411)
	1,005,676	(3,332,524)
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**282,245**	(830,580)
Income taxes payable	**1,959,435**	(826,011)
Provision for refund of premiums	**(110,351)**	(3,399,758)
Insurance contract liabilities	**(690,846)**	3,455,551
	1,440,483	(1,600,798)
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	**2,446,159**	(4,933,322)

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

11. INSURANCE RISK MANAGEMENT

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

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

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

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

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

The Company manages this risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. Pricing of property and liability policies is based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. Reinsurance is purchased to mitigate the effect of the potential loss to the Company. Reinsurance is placed with Farm Mutual Reinsurance Plan Inc. ("Farm Mutual Re"), a Canadian registered reinsurer.

The Company follows a policy of underwriting with reinsuring contracts of insurance. The limit of liability of the Company is to a maximum amount of any one claim of $650,000 (2022 - $550,000) in the event of a property claim, and $550,000 (2022 - $500,000) in the event of a liability claim. For claims incurred over the respective limits, there is a 10% retention to a specified maximum for claims occurring prior to 2013 and 100% is recovered for all claims occurring in 2013 and subsequent years over the respective limits. In addition, the Company has obtained reinsurance having an upper amount of $8,000,000 and which limits the Company's liability to $1,950,000 in the event of a series of claims arising out of a single occurrence. The Company has also obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% of gross net earned premiums for all property and liability lines of business.

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
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11. INSURANCE RISK MANAGEMENT (Cont'd)

The Company is exposed to a pricing risk to the extent that unearned premiums are insufficient to meet the related future policy costs. Evaluation is performed regularly to estimate future claims costs, related expenses and expected profit in relation to unearned premiums. There was no premium deficiency at December 31, 2023 and 2022.

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 occurrences, expected loss ratios and claims development as described in Note 5.

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

	Property Claims		**Liability Claims**	
	2023	2022	**2023**	2022
	$	$	**$**	$
5% change in loss ratios				
Gross claims change	**1,408,000**	1,236,000	**97,000**	179,000
Net claims change	**1,585,000**	1,057,000	**79,000**	158,000

The following table shows the concentration of net insurance contract liabilities by type of contract:

		2023			2022	
	Insurance	**Reinsurance held**	**Net**	Insurance	Reinsurance held	Net
	$ (000's)	**$ (000's)**	**$ (000's)**	$ (000's)	$ (000's)	$ (000's)
Property	**6,607**	**(699)**	**5,908**	6,003	(744)	5,259
Commercial	**6,599**	**(2,591)**	**4,008**	7,895	(2,045)	5,850
Total net insurance contracts	**13,206**	**(3,290)**	**9,916**	13,898	(2,789)	11,109

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.

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12. INVESTMENT INCOME (LOSS)

	2023 **$**	2022 $
Interest income	**1,155,079**	852,366
Dividends and mutual/pooled fund distributions	**735,414**	597,827
Change in unrealized gain on portfolio investments	**1,825,247**	(4,439,363)
Realized gains on disposal of portfolio investments	**641,139**	585,796
Investment expenses	**(36,034)**	(52,543)
	4,320,845	(2,455,917)

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:

	2023 **$**	2022 $
Compensation		
Salaries, wages and directors' fees	**1,165,300**	1,215,316
Short-term employee benefits	**73,110**	72,404
Pension and post-employment benefits	**89,506**	94,424
Premiums	**46,355**	49,987
Liability for incurred claims	**NIL**	(4,922)

Amounts owing from and to key management personnel and directors (excluding compensation due and accrued) at December 31, 2023 are $13,000 (2022 - $12,388) and $Nil (2022 - $Nil) respectively. The amounts owing from related parties are subject to regular payment terms for policyholders and are included in the insurance contract liabilities on the statement of financial position.

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14. FINANCIAL RISKS AND CONCENTRATION OF RISK

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 fixed-income securities in its investment portfolio and the reliance on its reinsurer to make payment when certain loss conditions are met.

The Company's investment policy puts limits on the fixed-income securities portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. The fixed-income security portfolio remains very high quality with 95% of the securities rated A or better. All fixed-income securities must have an A rating or better at the time of purchase per the Company's investment policy. All fixed-income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

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

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.

Accounts receivable are short term in nature, originating from a large number of policyholders and are not subject to material credit risk. Regular review of amounts outstanding is performed to ensure credit worthiness. The maximum exposure to credit risk and concentration of this risk is limited to the carrying value of these instruments.

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

Market Risk

Market risk is the risk that the fair value 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 Insurance Act (Ontario). An investment policy is in place and its application is monitored by 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 10% of the Company's total securities portfolio.

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

BAY OF QUINTE MUTUAL INSURANCE CO.
NOTES TO FINANCIAL STATEMENTS
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14. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)

Currency Risk

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

The Company does not hold any significant financial instruments in foreign currency, and as such, is not exposed to significant currency 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.

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 risk through its interest-bearing investments (term deposits and fixed-income securities).

Historical data and current information are used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest 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 comprehensive income. There are no occurrences where interest would be charged on liabilities, therefore, little protection is needed to ensure the fair market value of assets will be offset by a similar change in liabilities due to an interest rate change.

The objective and policies and procedures for managing interest rate risk is to diversify the fixed-income securities portfolio in such a way that the securities are laddered over several years and an approximately equal portion of the fixed-income securities portfolio would come due each year and be reinvested. This protects the Company from fluctuations in the interest rates.

As prevailing interest rates increase or decrease, the market value of these interest-bearing investments change. If interest rates were to change by 1%, with all other variables being held constant, then the effect on the market value of these investments would be approximately $978,000 (2022 - $774,000). The Company has structured its portfolio in a manner as to be able to allow fixed-income securities to be held to maturity to reduce any potential interest rate risk. For fixed-income securities that the Company did not sell during the year, the change during the year and changes prior to the year would be recognized as comprehensive income during the period.

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.

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14. FINANCIAL RISKS AND CONCENTRATION OF RISK (Cont'd)

Equity Risk

Equity 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 equities with fair values that move with the Toronto Stock Exchange (TSX) Composite Index. 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 preference and common shares and mutual/pooled funds of $2,622,000 (2022 - $1,896,000). For equities and mutual/pooled funds that the Company did not sell during the period, the change would be recognized in the asset value and in comprehensive income. For shares that the Company did sell during the period, the change during the period and changes prior to the period would be recognized as net realized gains in comprehensive income during the period.

The Company's portfolio also includes unlisted shares in a Canadian private corporation. Equity risk with respect to this investment is limited to the carrying value ($1,576,990) of this investment.

The Company's investments policy operates within the guidelines of the Insurance Act (Ontario). An investment policy is in place and its application is monitored by the Board of Directors. Diversification techniques are utilized to minimize risk. The policy limits the investment in portfolio investments as follows:

Investment Category	Maximum percentage of investment portfolio	Minimum percentage of investment portfolio
Preference shares	30%	0%
Common shares	25%	0%
Mutual and pooled funds	20%	0%
Bonds and debentures	80%	50%
Individual corporate group	10%	0%
Foreign securities	10%	0%

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. Current liabilities arise as claims are made. There are no material liabilities that can be called unexpectedly at the demand of a lender or client. There are 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 the investment 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.

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15. DISCLOSURES RELATING TO FAIR VALUE MEASUREMENTS

The Company has categorized its financial assets and liabilities where fair value does not approximate cost based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Financial assets and liabilities measured at fair value are categorized as follows:

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

Level 2: Fair value is based on quoted prices in markets that are not active or inputs that are observable for the asset or liability either directly as price or indirectly derived from price.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets and liabilities.

	Level 1 $ (000's)	Level 2 $ (000's)	Level 3 $ (000's)	Total $ (000's)
December 31, 2023				
Fixed-income securities				
Term deposits	12,375			12,375
Federal government	100			100
Provincial government and provincially guaranteed	5,494			5,494
Canadian Municipal government	340			340
Canadian Corporate	19,593			19,593
Fire Mutual's Guarantee Fund		47		47
Equity securities				
Preference shares	3,828			3,828
Common shares	10,338			10,338
Mutual and pooled funds	8,127			8,127
Canadian Corporate private corporation			1,577	1,577
TOTAL ASSETS MEASURED AT FAIR VALUE	60,195	47	1,577	61,819

BAY OF QUINTE MUTUAL INSURANCE CO.
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15. DISCLOSURES RELATING TO FAIR VALUE MEASUREMENTS (Cont'd)

	Level 1 $ (000's)	Level 2 $ (000's)	Level 3 $ (000's)	Total $ (000's)
December 31, 2022				
Fixed-income securities				
Term deposits	11,442			11,442
Federal government	1,084			1,084
Provincial government and provincially guaranteed	5,932			5,932
Canadian Municipal and School Boards	334			334
Canadian Corporate	11,424			11,424
Fire Mutual's Guarantee Fund		47		47
Equity securities				
Preference shares	3,408			3,408
Common shares	9,760			9,760
Mutual and pooled funds	8,296			8,296
Canadian Corporate private corporation			1,250	1,250
TOTAL ASSETS MEASURED AT FAIR VALUE	51,680	47	1,250	52,977

Levels of fair value for financial assets are consistent with those in the prior year.

The Level 3 financial asset is an investment in a Canadian private corporation. The corporation is in its fifth year of operations and fair value of the investment is determined based on the valuation techniques as set out in the private corporation's Shareholders' Agreement. The increase in fair value for the year ending December 31, 2023 of $326,824 (2022 - $250,166) has been included in investment income within the statement of comprehensive income (loss).

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16. 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 use capital allocations. Reinsurance is utilized as outlined in the Company's underwriting policy in Note 11 to these financial statements to protect the Company's capital. In addition, reinsurance is utilized to protect capital from catastrophic losses as the frequency and severity of these losses are inherently unpredictable. To limit the potential impact, catastrophic coverage limits exposure to $1,950,000 (2022 - $1,650,000). The $1,950,000 retained amount represents approximately 3.60% (2022 - 3.55%) of the Company's capital. For the purpose of capital management, the Company has defined capital as policyholders' surplus.

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%. The regulator has the authority to request more extensive reporting and can place restrictions on the Company’s operations if deemed necessary.

The Company uses a ratio of policyholders' surplus to gross premiums written to monitor capital adequacy. The Company's goal is to have a ratio of policyholders' surplus to gross premiums written of at least 1:1. As at December 31, 2023, the Company has a policyholders' surplus to gross premiums written ration of 1.80:1 (2022 - 1.64:1).

The Company has several guidelines and benchmarks established by the Financial Services Regulatory Authority of Ontario regarding capital management which it continues to review and manage. As at December 31, 2023, the Company's MCT ratio is well in excess of the minimum requirement of 150%.

17. 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. Each member company has signed an Ontario Mutual Insurance Association Pension Plan Agreement. Eligible employees participate in the defined benefit 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 their final average earnings. The plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The Company is one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is insufficient to reliably measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements.

17. PENSION PLAN (Cont'd)

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. The minimum funding requirement is the solvency valuation amount determined by the Pension Plan actuary on the valuation dates prescribed by the Pensions Benefit Act. 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.

For the year ended December 31, 2023, the Company recognized $277,712 (2022 - $254,552) in operating expenses for current pension contributions. The Company had a 3.20% share of the total contributions to the plan in 2023 (2022 - 3.2%).

The Company's expected contributions for current year service to the plan for 2024 are approximately $319,910.

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.