Grant Thornton

Financial Statements

Clare Mutual Insurance Company

December 31, 2022

Contents

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Independent Auditor's Report

To the Policyholders of Clare Mutual Insurance Company

Opinion

We have audited the financial statements of Clare Mutual Insurance Company ("the Company"), which comprise the statement of financial position as at December 31, 2022, and the statement of earnings, statement of comprehensive income, statement of changes in policyholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Clare Mutual Insurance Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the 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 the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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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.

Grant Thornton LLP

Yarmouth, Canada
February 6, 2023

Chartered Professional Accountants

Clare Mutual Insurance Company
Statement of Earnings

Year Ended December 31	**2022**	2021
Gross premiums written	**$ 4,825,874**	$ 4,413,878
Less: Reinsurance premiums	**1,365,533**	1,104,198
Net premiums written	**3,460,341**	3,309,680
Less: Increase in unearned premiums	**220,110**	253,066
Net premiums earned	**3,240,231**	3,056,614
Policy fee	**120,598**	119,581
Total revenue	**3,360,829**	3,176,195
Net claims and adjusting expenses incurred (Note 4)	**594,223**	817,456
Underwriting income before expenses	**2,766,606**	2,358,739
Operating expenses (Note 5)	**1,921,901**	1,769,580
Net underwriting income	**844,705**	589,159
Other income (Note 6)	**459,139**	524,456
Earnings before income taxes	**1,303,844**	1,113,615
Income taxes (Note 14)	**218,209**	193,496
Net earnings	**$ 1,085,635**	$ 920,119

See accompanying notes to the financial statements.

Clare Mutual Insurance Company
Statement of Comprehensive Income

Year Ended December 31	2022	2021
Statement of Comprehensive Income		
Net earnings	**$ 1,085,635**	$ 920,119
Other comprehensive (loss) income on available for sale investments	**(455,055)**	234,021
Reclassification to Statements of Earnings and Retained Earnings (Note 6)	**(15,935)**	(157,522)
Current income tax effect (Note 14)	**81,497**	(15,603)
Other comprehensive (loss) income	**(389,493)**	60,896
Total comprehensive income	**$ 696,142**	$ 981,015

Clare Mutual Insurance Company
Statement of Changes in Policyholders' Equity

Year Ended December 31

	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2020	$ 4,669,615	$ 227,423	$ 4,897,038
Net earnings	920,119	-	920,119
Other comprehensive income	-	60,896	60,896
Balance at December 31, 2021	5,589,734	288,319	5,878,053
Net earnings	1,085,635	-	1,085,635
Other comprehensive loss	-	(389,493)	(389,493)
Balance at December 31, 2022	**$ 6,675,369**	**$ (101,174)**	**$ 6,574,195**

See accompanying notes to the financial statements.

Clare Mutual Insurance Company
Statement of Financial Position

December 31	2022	2021
Assets		
Current		
Cash and cash equivalents	**$ 3,184,137**	$ 3,424,000
Receivables	**97,027**	105,516
Prepaid expenses	**43,983**	23,764
Income tax receivable	**78,007**	-
Deferred policy acquisition costs	**228,705**	206,446
Reinsurer's share of reserve for unpaid claims (Note 15)	**626,673**	711,680
	4,258,532	4,471,406
Investments (Note 7)	**6,243,026**	5,233,642
Property and equipment (Note 9)	**163,894**	195,468
Deferred income taxes (Note 14)	**21,590**	28,860
	$ 10,687,042	$ 9,929,376
Liabilities		
Current		
Payables and accruals	**$ 312,682**	$ 246,135
Payable to reinsurer	**145,635**	130,705
Income tax payable	**-**	40,475
Reserve for unpaid and unreported claims (Note 15)	**1,058,455**	1,264,012
Unearned revenue	**49,425**	43,456
Unearned premium reserve	**2,546,650**	2,326,540
	4,112,847	4,051,323
Policyholders' Equity		
Retained earnings (Page 4)	**6,675,369**	5,589,734
Accumulated other comprehensive (loss) income (Page 4)	**(101,174)**	288,319
	6,574,195	5,878,053
	$ 10,687,042	$ 9,929,376

On Behalf of the Board

Henry Thibodeau Director Russell Comeau Director

See accompanying notes to the financial statements.

Clare Mutual Insurance Company
Statement of Cash Flows

Year Ended December 31	2022	2021
Decrease in cash and cash equivalents		
Operating		
Net earnings	**$ 1,085,635**	$ 920,119
Add (deduct) charges to operations not requiring a current cash payment		
Depreciation	**44,702**	48,303
Deferred income taxes	**7,270**	470
Current tax expense charged to other comprehensive income	**81,497**	(15,603)
Unearned premium reserve	**220,110**	253,066
Gain on sale of investments	**(15,935)**	(157,522)
	1,423,279	1,048,833
Change in non-cash operating working capital (Note 10)	**(185,575)**	453,029
	1,237,704	1,501,862
Investing		
Proceeds from sale of investments	**108,438**	2,529,270
Purchase of investments	**(1,572,878)**	(3,195,669)
Purchase of property and equipment	**(13,127)**	(114,479)
	(1,477,567)	(780,878)
Net (decrease) increase in cash and cash equivalents	**(239,863)**	720,984
Cash and cash equivalents		
Beginning of year	**3,424,000**	2,703,016
End of year	**$ 3,184,137**	$ 3,424,000

See accompanying notes to the financial statements.

1. Nature of business

The Clare Mutual Insurance Company (the "Company"), incorporated without share capital under the laws of the Province of Nova Scotia, is federally licensed and is subject to the *Nova Scotia Insurance Act* and the Office of the Superintendent of Financial Institutes of Canada. It is licensed to write property and liability insurance in Nova Scotia.

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were authorized for issue by the Board of Directors on February 6, 2023.

(b) Basis of measurement

The financial statements have been prepared on a going concern basis under the historical cost basis, except for those financial assets and financial liabilities that have been measured at fair value as described in Note 3.

As permitted by pre-changeover GAAP, the Company has applied Canadian generally accepted accounting principles ("GAAP") for its insurance contracts.

(c) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange on the statement of financial position date. Revenues and expenses are translated at average exchange rates.

Unrealized gains and losses resulting from translation of currencies to the presentation currency are included as a component of comprehensive income. Realized currency gains and losses resulting from foreign currency transactions are included in income.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation (continued)

(d) Use of estimates and judgement (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3 (e)	Insurance contract assets
Note 3 (f)	Insurance contract liabilities
Note 3 (j)	Depreciation
Note 3 (k)	Income taxes

(e) Critical judgements in applying the Company's accounting policies

Management has not made any critical judgements apart from those involving estimations in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in these financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, balances with banks and highly liquid temporary investments which are readily convertible into cash and which are subject to an insignificant risk of changes in value. Bank borrowings are considered to be financing activities.

The estimated fair value of cash and cash equivalents approximate carrying values due to the relatively short-term nature of the instruments.

(b) Financial assets

Non-derivative financial assets of the Company include: available-for-sale financial assets, loans and receivables. The Company initially recognizes loans, receivables at fair value. All other financial assets are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3. Significant accounting policies (continued)

(b) Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets include investments. Changes in fair value are recorded in other comprehensive income until the instrument is derecognized or impaired. Accumulated other comprehensive income ("AOCI") is included in the statement of financial position as a separate component of equity (net of tax) and includes net unrealized gains and losses on available-for-sale assets.

Fair value is best evidenced by quoted market prices in an active market. Where quoted market prices are not available, the quoted prices of similar financial instruments or valuation models with observable market based inputs are used to estimate fair value. These valuation models may use multiple observable market inputs, including observable interest rates, foreign exchange rates, index levels, credit spreads, equity prices, counterparty credit quality, and corresponding market volatility levels. Minimal management judgment is required for fair values calculated using quoted market prices or observable market inputs for models. The calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The Company employs a fair value hierarchy to categorize the inputs it uses in valuation techniques to measure the fair value. The extent of use of (Level 1) quoted prices in active markets for identical assets or liabilities, (Level 2) inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, and (Level 3) inputs for the asset or liability that are not based on observable market data in the valuation of securities as at the statement of financial position date is disclosed in Note 9.

Loans and receivables

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

Loans and receivables comprise mainly of cash and cash equivalents and receivables arising from insurance contracts. The estimated fair value of cash, cash equivalents and receivables approximate carrying values due to the relatively short term nature of these instruments.

(c) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. They are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. A significant or prolonged decline in fair value of an investment in an equity investment below its cost is considered to be objective evidence of impairment. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and the loss is recognized in earnings for the year.

3. Significant accounting policies (continued)

(c) Impairment of financial assets (continued)

In respect of available-for-sale equity instruments, impairment losses previously recognized through earnings are not reversed through earnings for the year. Any increase in fair value subsequent to an impairment loss is recognized directly in comprehensive income for the year.

Certain categories of financial assets, such as loans and receivables carried at amortized cost that are assessed to not be impaired individually are subsequently assessed for impairment on a collective basis.

(d) Financial liabilities

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Financial liabilities comprise payables arising from insurance contracts, trade payables and accrued liabilities. The estimated fair value of financial liabilities approximate the carrying values due to the relatively short term nature of the instruments.

(e) Insurance contract assets

Insurance contract assets comprise reinsurance assets and deferred policy acquisition costs.

Reinsurance assets

Recoverable amounts from Farm Mutual Re (“FMR”) in respect to unpaid claims are benefits of the Company and are recognized as reinsurance assets. These assets are estimated in a manner consistent with estimates of unpaid claims and in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the insurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from FMR. The impairment loss is then recorded in the statement of operations in the reporting period in which the Company determines objective evidence that the full amount or disputed amount due from FMR will not be collectible.

The current year reinsurer’s share of claims incurred but not reported (“IBNR”) is $126,000 (2021 - $130,000).

3. Significant accounting policies (continued)

(e) Insurance contract assets (continued)

Deferred policy acquisition costs

Deferred policy acquisition costs comprise commissions, direct sales office expenditures and premium tax as they are directly related to the writing and renewal of insurance contracts. These costs are deferred and amortized on the same basis as unearned premiums and are reported in commissions, direct distribution, and premium tax expenses on the statement of earnings and retained earnings.

(f) Insurance contract liabilities

Insurance contract liabilities comprise of unpaid claims and unearned premiums.

Unpaid claims

Unpaid claims is the estimated ultimate cost of all claims incurred, but not settled, on insurance contracts at the reporting date, whether reported to the Company or not, together with related claims handling costs. Unpaid claims are reported gross of any related recoverable. The recoverable is reported as an asset in reinsurance reserve for unpaid claims.

Unpaid claims are first determined on a case-by-case basis as insurance claims are reported and then reassessed as additional information becomes known. Reserving takes into account the consistency of the Company's claims handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises, and the delays in reporting claims.

These reserves for unpaid claims and adjusting expenses are estimates and, as such, are subject to variability, which could be material in the near term. Changes to the estimates could result from future events such as receiving additional claim information, changes in judicial interpretation of contracts or significant changes in severity or frequency of claims from past trends. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates.

Unpaid claims includes a provision to include claims incurred but not reported ("IBNR"), as well as a provision for adverse deviation, as required by Canadian accepted actuarial practice. Unpaid claims are discounted to take into account the time value of money. The discount rate reflects the estimated market yield of the underlying assets backing these unpaid claims. Several actuarial assumptions are used to calculate this discount rate. These may change from period to period in order to reflect the most accurate and representative market yield based discount rate.

The current year provision of claims incurred but not reported ("IBNR") is $257,000 (2021 – $288,000).

3. Significant accounting policies (continued)

(f) Insurance contract liabilities (continued)

Unpaid claims (continued)

The estimated costs of all claims are calculated based on Canadian accepted actuarial practice as there is no active market for such liabilities. The provision consists of case estimates, a provision for further development of losses that have been reported but for which not enough has been recorded as paid or reserved, and a margin for adverse deviation. Estimates performed by the appointed actuary are completed using standard actuarial techniques and are based on assumptions such as historical loss development factors, payment patterns, future rates of insurance claims frequency and severity, inflation, expenses, changes in the legal environment, changes in the regulatory environment and other matters, taking into consideration the circumstances of the Company and the nature of the insurance contracts. These liabilities are recognized on the statement of financial position and changes are recognized in gross claims and adjustment expenses on the statement of earnings. The liabilities are derecognized when the obligation to pay a claim expires, is discharged, or is cancelled.

Unearned premiums

Unearned premiums are those proportions of premiums written in a year on insurance contracts that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums and is recognized over the remaining term of the insurance contract in net premiums earned on the statement of earnings and retained earnings.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred policy acquisition costs. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance contracts. A premium deficiency would be recognized immediately as a reduction of deferred policy acquisition costs to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred policy acquisition costs and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred policy acquisition costs, a liability is accrued for the excess deficiency.

Claim development

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

Clare Mutual Insurance Company
Notes to the Financial Statements
December 31, 2022

3. Significant accounting policies (continued)

(f) Insurance contract liabilities (continued)

The table that follows presents the development of claims payments and the estimated ultimate cost of claims for the claim year 2011 to 2022 in 000's. The upper half of the tables shows the cumulative amounts paid or estimated to be paid during successive years related to each claim year. The original estimates will be increased or decreased, as more information becomes known about the original claims and overall claim frequency and severity.

Net basis:

					Total all Insurance risks						
Year of loss	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims costs											
at end of the year of loss	$ 987	$ 754	$ 623	$ 416	$ 854	$ 941	$ 491	$ 904	$ 885	$ 830	
one year later	$ 933	$ 712	$ 576	$ 339	$ 815	$ 912	$ 435	$ 843	$ 1,231		
two years later	$ 933	$ 711	$ 568	$ 338	$ 791	$ 902	$ 414	$ 821			
three years later	$ 933	$ 711	$ 568	$ 338	$ 783	$ 899	$ 414				
four years later	$ 933	$ 710	$ 568	$ 337	$ 762	$ 898					
five years later	$ 933	$ 710	$ 568	$ 337	$ 762						
six years later	$ 933	$ 710	$ 568	$ 337							
seven years later	$ 933	$ 710	$ 568								
eight years later	$ 933	$ 710									
nine years later	$ 933										
Current estimate of Unpaid claims	$ 933	$ 710	$ 568	$ 337	$ 762	$ 898	$ 414	$ 821	$ 1,231	$ 830	$ 7,503
Cumulative payments to date	$ 933	$ 710	$ 568	$ 337	$ 762	$ 898	$ 414	$ 821	$ 1,206	$ 456	$ 7,104
Outstanding claims	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24	$ 374	$ 399
Outstanding claims 2012 and prior											$ -
ULAE											$ 11
Facility Association											$ -
Effect of Discounting and PfAD											$ 21
Liability Recoverable from reinsurers											$ 627
Gross liabilities in statement of financial position											$ 1,058

(g) Revenue recognition

Gross premiums

Insurance premiums written comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. The premiums are recognized on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

3. Significant accounting policies (continued)

(g) Revenue recognition (continued)

Gross premiums (continued)

Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole period of cover provided by contracts entered into during the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Reinsurance premiums are earned during the year as the reinsurance contract expires December 31st of each year.

Fees and commission income

Insurance contract policyholders are charged for policy administration costs. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods then they are deferred and recognized over those future periods.

Investment income

Investment income is recognized in the statement of earnings and retained earnings as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Realized gains and losses

Realized gains and losses recorded in the statement of earnings and retained earnings on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

(h) Claims and expenses recognition

Gross claims

Gross claims include all claims occurring during the year, whether reported or not. These expenses include related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

3. Significant accounting policies (continued)

(h) Claims and expenses recognition (continued)

Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the contract.

(i) Property and equipment

Property and equipment is initially recorded at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment loss, with the exception of land which is not depreciated. Depreciation is charged so as to write off the cost or valuation of property and equipment over their estimated useful lives using the following methods and rates.

Buildings	20 yrs, straight-line
Office equipment	4 yrs, straight-line
Computer equipment	4 yrs, straight-line
Computer software	3 yrs, straight-line
Vehicles	5 yrs, straight-line
Paving	12.5 yrs, straight-line

The assets' residual values and useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. If an asset is impaired, the carrying amount is reduced to the asset's recoverable amount with an offsetting charge recorded in the statement of earnings and retained earnings. If events or changes in circumstances indicate that a previously recognized impairment loss has decreased or no longer exists, the reversal is recognized in the statement of earnings and retained earnings to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that would have been had no impairment taken place.

Gains and losses arising from the disposition of a property and equipment asset are measured as the difference between the net disposal proceeds and the carrying value of the asset and are reported in the statement of earnings and retained earnings.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of earnings and retained earnings in the year the asset is derecognized.

3. Significant accounting policies (continued)

(j) Depreciation

Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets. Management reviews useful lives and residual values of the depreciable assets at each reporting date, based on the expected utilization of the assets by the Company. Significant judgement is involved in the determination of useful lives and residual values and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions

(k) Income taxes

The income tax expense represents the sum of tax currently payable and deferred tax.

The income tax currently payable is based on taxable income for the year. Taxable income differs from net income as reported in the statement of earnings and retained earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the statement of financial position liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred income tax is charged or credited in the statement of earnings, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

(l) Comprehensive income

Comprehensive income includes the change in a Company's net assets that results from transactions, events and circumstances from sources other than the Company's equity and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale financial assets.

3. Significant accounting policies (continued)

(m) New and revised International Financial Reporting Standards adopted during the year and issued but not yet effective

IFRS 17 – Insurance contracts

The IASB has issued IFRS 17 Insurance Contracts, which replaces the similarly titled IFRS 4 effective January 1, 2023. The new standard will increase consistency for all insurance contracts, and change the measurement for insurance obligations to use current values instead of historical cost. The key features of the new standard are as follows:

- insurance contracts will be measured with current, explicit, and unbiased estimates of future cash flows, discount rates that reflect the characteristics of the contracts' cash flows, and explicit revenue is no longer equal to written premiums but to the change in the contract liability covered by consideration which is anticipated to increase volatility within the statement of earnings.
- premiums received will be deferred as a contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk.
- reinsurance contracts will apply a separate measurement model with modifications for qualifying short-term contracts and participating contracts.
- increased disclosure requirements.

The Company has not determined the impact on this new standard but it is expected that the impact to the overall financial statement presentation to be significant.

IFRS 9 – Financial instruments

In November 2009, the IASB issued IFRS 9 – Financial Instruments. This standard represents the completion of the first part of a three-part project to replace IAS 39 – Financial Instruments: Recognition and Measurement. The new standard reduces complexity by replacing the many different rules in IAS 39. The key features of the new standard are as follows:

- a business model test is applied first in determining whether a financial asset is eligible for amortized cost measurement. The business model objective is based on holding financial assets in order to collect contractual cash flows rather than realizing cash flows from the sale of the financial assets,
- in order to be eligible for amortized cost measurement an asset must have contractual cash flow characteristics representing principle and interest,
- all other financial assets are measured at fair value on the consolidated statement of financial position,

The standard is effective for years beginning on or after January 1, 2018, as an insurance company the adoption of IFRS 9 will be deferred until January 1, 2023 with the implementation of IFRS 17. The Company is currently evaluating the impact of these new standards and amendments expects a change in financial statement presentation.

4. Net claims and adjusting expenses incurred	**2022**	2021
Gross claims and adjusting expenses	**$ 1,358,568**	$ 1,462,047
Reinsurance recoveries	**(764,345)**	(644,591)
Net claims and adjusting expenses incurred	**$ 594,223**	$ 817,456

5. Operating expenses	**2022**	2021
Advertising	**$ 20,675**	$ 28,358
Bad debt expense	**668**	172
Bank charges	**42,575**	31,754
Depreciation	**44,702**	48,303
Defined contribution pension plan	**35,335**	36,983
Directors' fees and costs	**39,763**	37,091
General	**32,909**	33,997
Insurance	**41,020**	32,945
Maintenance	**61,725**	35,093
Office supplies	**43,890**	60,790
Premium tax	**191,117**	174,985
Printers	**2,289**	2,851
Professional fees	**232,055**	213,553
Salaries and benefits	**800,017**	769,410
Taxes and fees	**94,919**	85,840
Telephone	**16,669**	24,251
Training and computer support	**158,247**	119,878
Travel and meals	**52,341**	24,953
Utilities	**10,985**	8,373
	$ 1,921,901	$ 1,769,580

6. Other income

	2022	2021
Interest and other investment income	**$ 253,300**	$ 193,037
Commissions	**189,904**	173,897
Gain on sale of investments	**15,935**	157,522
	$ 459,139	$ 524,456

7. Investments

The Company manages its investment portfolio in accordance with its Investment Policy which is in compliance with regulatory and statutory requirements. All investments are considered available for sale.

The policy has both short term and long term objectives based upon preserving Company capital, increasing portfolio value, producing a stable level of investment income, meeting Company liquidity requirements and complying with the Company's level of risk tolerance.

Portfolio performance and compliance with the Investment Policy is reviewed at each Investment Committee meeting. The Investment Policy is reviewed and approved by the Board of Directors on an annual basis.

	2022 Market Value	2021 Market Value
Guaranteed Investment Certificates (GICs)	**$ 654,079**	$ -
Caisse Populaire de Clare Ltée term deposits	**180,000**	181,739
RBC Phillips, Hager & North Investments		
Canadian Bond Mutual Fund	**3,182,280**	2,840,337
Canadian Equity Mutual Fund	**1,290,120**	1,344,038
US Equity Mutual Fund	**610,659**	592,099
International Equity Mutual Fund	**325,888**	275,429
Total mutual funds	**5,408,947**	5,051,903
Total investments	**$ 6,243,026**	5,233,642

8. Fair value hierarchy

Available-for-sale investments recorded at fair value by the level of the fair value hierarchy as at December 31, 2022:

	Level 1	Level 2	Level 3	Total Fair Value
GICs and term deposits	**$ -**	**$ 834,079**	**$ -**	**$ 834,079**
Mutual funds	**5,408,947**	**-**	**-**	**5,408,947**
	$ 5,408,947	**$ 834,079**	**$ -**	**$ 6,243,026**

Available-for-sale investments recorded at fair value by the level of the fair value hierarchy as at December 31, 2021:

	Level 1	Level 2	Level 3	Total Fair Value
Term deposits	$ -	$ 181,739	$ -	$ 181,739
Mutual funds	5,051,903	-	-	5,051,903
	$ 5,051,903	$ 181,739	$ -	$ 5,233,642

9. Property and equipment

As at December 31, 2022

	Land	Buildings	Office Equipment	Computer Equipment	Paving	Vehicles	Total
Gross carrying amount							
Balance, Dec 31, 2021	$ 5,000	$ 412,589	$ 175,344	$ 181,139	$ 22,919	$ 70,579	**$ 867,570**
Additions	-	-	4,241	8,886	-	-	**13,127**
Disposals	-	-	-	-	-	-	**-**
	5,000	412,589	179,585	190,025	22,919	70,579	**880,697**
Depreciation and impairment							
Balance, Dec 31, 2021	-	298,160	163,771	146,221	22,919	41,031	**672,102**
Depreciation	-	11,979	5,323	20,013	-	7,387	**44,702**
Disposals	-	-	-	-	-	-	**-**
	-	310,139	169,094	166,234	22,919	48,418	**716,804**
Balance At December 31, 2022	$ 5,000	$ 102,450	$ 10,491	$ 23,791	$ -	$ 22,161	**$ 163,894**

As at December 31, 2021

	Land	Buildings	Office Equipment	Computer Equipment	Paving	Vehicles	Total
Gross carrying amount							
Balance, Dec 31, 2020	$ 5,000	$ 385,418	$ 163,103	$ 143,007	$ 22,919	$ 33,644	$ 753,091
Additions	-	27,171	12,241	38,132	-	36,935	114,479
Disposals	-	-	-	-	-	-	-
	5,000	412,589	175,344	181,139	22,919	70,579	867,570
Depreciation and impairment							
Balance, Dec 31, 2020	-	284,716	158,581	123,939	22,919	33,644	623,799
Depreciation	-	13,444	5,190	22,282	-	7,387	48,303
Disposals	-	-	-	-	-	-	-
	-	298,160	163,771	146,221	22,919	41,031	672,102
Balance At December 31, 2021	$ 5,000	$ 114,429	$ 11,573	$ 34,918	$ -	$ 29,548	$ 195,468

The Company did not record any impairment charges or reversals during the year ended December 31, 2022 or 2021.

10. Supplemental cash flow information

	2022	2021
Change in non-cash operating working capital		
Receivables	**$ 8,489**	$ (5,738)
Prepaid expenses	**(20,219)**	12,584
Deferred policy acquisition costs	**(22,259)**	(36,031)
Payables and accruals	**66,547**	13,997
Payable to reinsurer	**14,930**	23,811
Income tax payable	**(118,482)**	113,016
Reserve for unpaid claims, net of reinsurer’s share	**(120,550)**	328,732
Unearned revenue	**5,969**	2,658
	$ (185,575)	$ 453,029

11. Capital management

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

The regulators measure the financial strength of property and casualty insurers using a minimum capital test (“MCT”). The regulators generally expect property and casualty companies to comply with capital adequacy requirements. This test compares a company’s capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors. The regulator indicates that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company’s operations if the Company falls below this requirement and it is deemed necessary.

12. Insurance risk management

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments, or 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 careful selection and implementation of underwriting strategy guidelines, by the use of reinsurance arrangements and by settling claims promptly.

12. Insurance risk management (continued)

Underwriting strategy

The Company manages this risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are limited by having documented underwriting limits and criteria. Pricing of property and liability policies are based on assumptions in regard to trends and past experience, in an attempt to correctly match policy revenue with exposed risk. 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

Reinsurance arrangements

The Company purchases reinsurance as part of its risks mitigation program. Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer. Retention limits for the excess-of-loss reinsurance vary by product line.

Amounts recoverable from reinsurers 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 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

Excess of loss

The Company retains $100,000 on property claims with recoveries at 100% on amounts greater than retention, up to a total limit of $2 million per risk.

The Company retains $100,000 on liability with recoveries at 100% on amounts greater than retention, up to a total limit of up to $30 million per occurrence.

Catastrophe

Reinsurance also limits the Company's liability in the event of a catastrophe. The Company retains $300,000 with recoveries at 100% on amounts greater than retention.

Stop loss

The Company recovers 90% of current year claims which exceed 80% of gross net earned premiums. If the current year losses exceed 200% of gross net earned premiums, the recovery rate increases to 100% on the excess.

12. Insurance risk management (continued)

Claims settlement

Claim settlement is generally not a long process as most claims fall under the property class of business with remaining claims in the liability class. Typically, the Company settles claims within one year of being reported. This significantly reduces uncertainty about the amount and timing of claim payments. As such, additional information on these unpaid claims is not disclosed as permitted by IFRS 4 - *Insurance Contracts.*

The Company writes insurance policies covering a twelve month period. The most significant risks arise through high severity, low frequency events such as natural disasters and catastrophes. A concentration of risk may arise through insurance contracts issued in specific geographic location since all insurance contracts are written in Nova Scotia.

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 claim costs, related expenses, and expected profit in relation to unearned premiums. There is no premium deficiency recorded during the current or prior year.

13. Financial instrument management

Interest rate risk

Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally the Company's investment income will move with interest rates over the medium to long term with short term interest rate fluctuations creating unrealized gain or losses in other comprehensive income.

At December 31, 2022, a 1% move in interest rates, with all other variables held constant, could impact the market value of bonds by $149,249 (2021 - $145,709). For bonds that the Company did not sell during the year, the change during the period and changes prior to the period would be recognized as other comprehensive income during the period.

Credit risk

The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. In the current year the Company did not have any bonds. The bond portfolio in the prior period was high quality with 96% of the bonds rated A- or better. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

13. Financial instrument management (continued)

Credit risk (continued)

Reinsurance is placed with FMR. Management monitors the creditworthiness of FMR by reviewing their annual financial statements and through ongoing communications. Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract.

Receivables are short term in nature and are not subject to material credit risk. However, the Company's maximum exposure to credit risk is $97,027 (2021 - $105,516). The Company minimizes credit risk on cash and cash equivalents through the utilization of different investments to spread the risk amongst various financial institutions.

Currency risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and produce an adverse impact on earnings when measured in the Company's functional currency.

Net exposure to United States dollar denominated amounts included in the balance sheet as at December 31st is:

	2022	2021
Available-for-sale investments	**$ 610,659**	$ 592,099

Market risk

The Company utilizes the prudent person approach to asset management as required by the *Insurance Companies Act*. An investment policy is in place and is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk. The Policy limits investment in any one corporate issuer to a maximum of 5% of the Company's total assets.

The Company's portfolio includes Canadian equity investments with fair values that move with the Toronto Stock Exchange Composite Index, US equity investments with fair values that move with the S&P 500 Index, and International equity investments that move with the Europe, Australasia, and Far East Index ("EAFE").

13. Financial instrument management (continued)

Market risk (continued)

A 1% movement in the stock values with all other variables held constant would have an estimated effect on the fair values of the Company's Canadian investments of $12,901 (2021 - $13,440). A 1% movement in the stock values with all other variables held constant would have an estimated effect on the fair values of the Company's foreign investments of $3,259 (2021 - $2,754). A 1% movement in the stock values with all other variables held constant would have an estimated effect on the fair values of the Company's United States investments of $6,107 (2021 - $5,921).

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. The Company does not have 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 investment income.

14. Income taxes

Deferred tax assets, and current / deferred income tax expense recognized in the statement of comprehensive income.

Deferred tax asset	**2022**	2021
Reserves	**$ 3,740**	$ 5,630
Capital loss carryforward	**-**	2,520
Property and equipment	**17,850**	20,710
	$ 21,590	$ 28,860

Current and deferred income tax expense in other comprehensive income

	2022	2021
Current income tax expense	**$ (81,497)**	$ 15,603

14. Income taxes (continued)

Income tax expense compared to statutory income tax rates

Income tax expense attributable to taxable income differs from the amounts computed by applying the combined federal and provincial income tax rate of approximately 17% (2021 – 20%) to income before income taxes as a result of the following:

The provision for income tax expense (recovery) is as follows:

	2022	2021
Earnings before income taxes	**$ 1,303,844**	$ 1,113,615
Income tax expense at the statutory rate	**225,608**	227,141
Changes in income taxes		
Non-taxable dividend income	**(11,000)**	(33,885)
Future income tax rate difference	**2,464**	(1,606)
Other	**1,137**	1,846
	$ 218,209	$ 193,496
Current income tax expense	**$ 210,939**	$ 193,026
Deferred income tax expense	**7,270**	470
	$ 218,209	$ 193,496

15. Reserve for unpaid and unreported claims

Changes in claim liabilities recorded in the balance sheet for the years-ended December 31, 2022 and 2021 and their impact on claims and adjustment expenses for the two years follow:

	2022	2021
Unpaid claims – beginning of year – net of reinsurance	**$ 552,332**	$ 223,600
Increase (decrease) in estimated losses and expenses, for losses occurring in prior years	**845,353**	67,809
Provision for losses and expenses on claims occurring in the current year	**594,223**	817,456
Payment on claims:		
Current year	**(767,465)**	(484,067)
Prior years	**(792,661)**	(72,466)
Unpaid claims – end of year – net of reinsurance	**$ 431,782**	$ 552,332

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

16. Related party transactions

Director's fees are presented in the schedule of expenses. Compensation for the Company's key management personnel is set out below:

	2022	2021
Key management personnel		
Salaries	**$ 368,058**	$ 363,573
Short term employee benefits	**33,751**	31,036
Post-employment benefits	**20,119**	19,423
Total remuneration	**$ 421,928**	$ 414,032