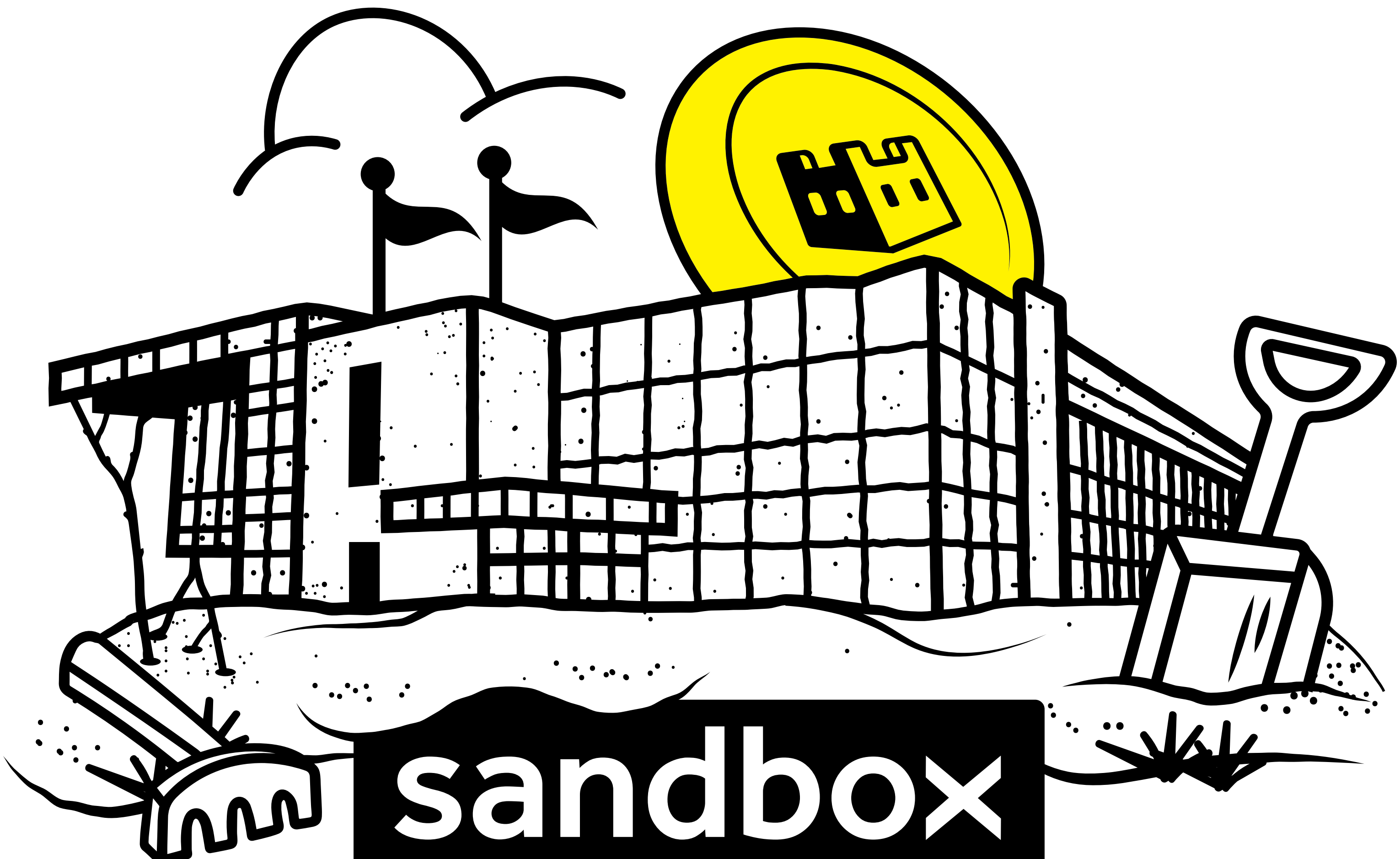
2024
ANNUAL REPORT



sandbox

mutual insurance

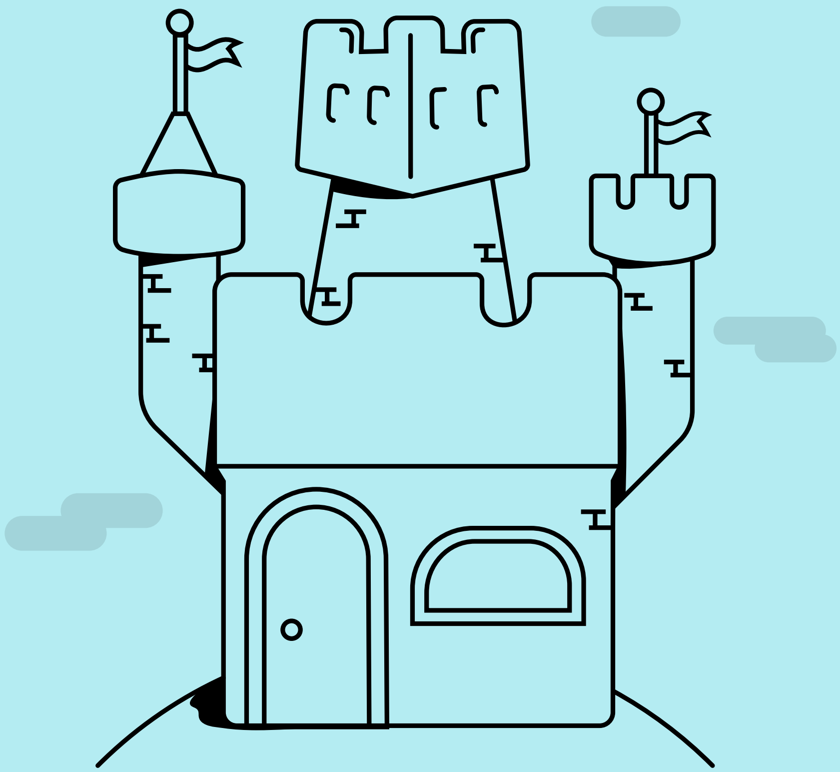
About Us

Our Story

It's time we recognized our place.

People don't really care about insurance, and we don't blame them. Picture an insurer that stays out of your hair – until you actually need us. While you're busy living your best life, we're working to perfect the most delightfully simple experience.

So when the time comes, you'll be happy you're with Sandbox.



Our Guiding Principles

Relentless pursuit of simplicity.
Nothing is ever complete.
We're always working towards making everything easier.

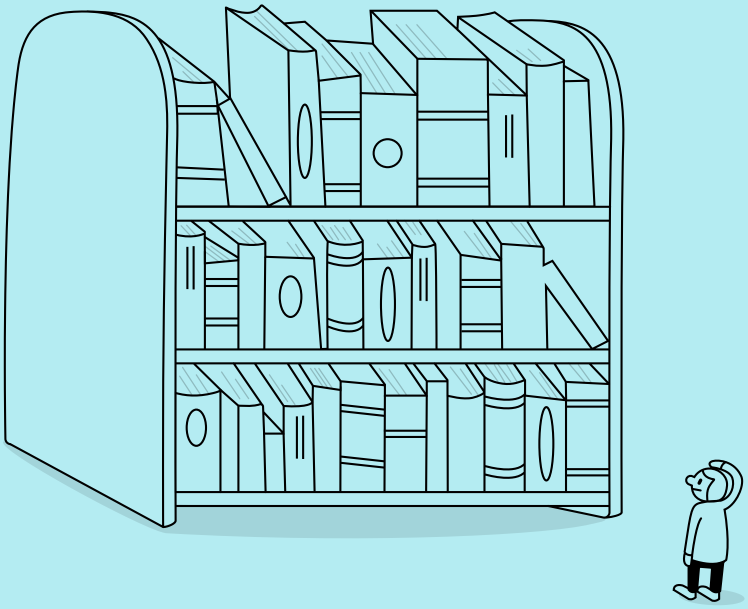
Get to the point.
Less words, steps, and barriers.

No dead ends.
Digital or offline, we never leave our customers hanging.
The options are clear – we guide them at every step.

Our Goal

To provide delightfully simple insurance.

Table of Contents



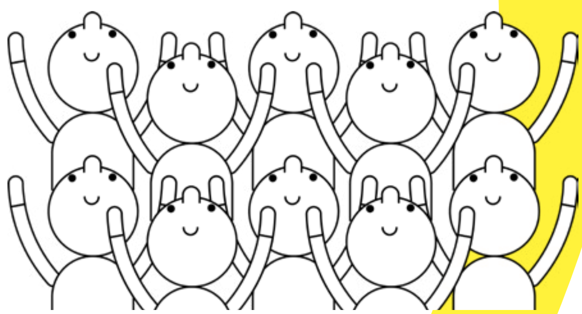
Year in Review

We expanded our loss control services

and incorporated new automation for streamlined and efficient processes that deliver a high quality and consistent customer experience.

35

new team members joined the Sandbox team.



We introduced a new loyalty incentive, rewarding policyholders

with significant savings for being claim-free and sticking with Sandbox.

We said thank-you and goodbye to **Shelley Willick** (former President & CEO) after 30 years with Sandbox.

We rolled out six new coverage enhancements

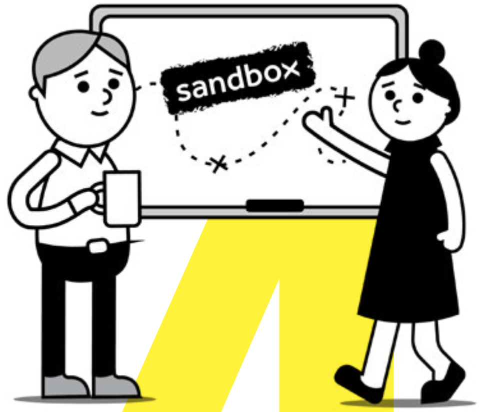
included in our Homeowners Comprehensive Policy – at no extra cost to policyholders.

We celebrated the naming of our brand-new President & CEO, **Rob Jones!**

We implemented a targeted recruitment strategy

to help us find the right people to build their careers with us.

Sandbox products are now available at 668 locations across Saskatchewan, Manitoba, and Alberta.



We hit a huge milestone of $146.8 million in direct written premiums (28% increase over 2023).

We built and trained a dedicated Customer Care team
to provide simple, seamless support for both brokers and policyholders.

We streamlined our quoting and policy-issuing processes
in our habitational line to get policies to policyholders faster.

We welcomed **10** new brokerages to Sandbox.

We introduced new processes
for our claims team to offer faster, smoother service right from the start of a claim.

We began writing business in **British Columbia.**

Community Support Initiatives in 2024

Communities at Play

Through our Communities at Play program, we invested **$126,000** to help local groups bring playground projects to life.

2024 recipients included:

Kensington School Inclusive Playground Project - Edmonton, AB

Buena Vista School Playground Revitalization Initiative - Saskatoon, SK

Glenboro Children's Learning Centre Inc. Playground Update and Expansion - Glenboro, MB

Kinsmen MacKay Park - Tisdale, SK

Remember the Children Playground Project - Elizabeth Métis Settlement, AB

Touchwood Park Accessible Playground Project - Neepawa, MB

At Sandbox Mutual Insurance, we're dedicated to making a positive impact in the communities where we live and play.

We donated over **$229,000** to our communities.

Employee Volunteer Program

We care about the causes that matter to our employees! Employees received up to two paid days per year to volunteer for a charity of their choice. In 2024, Sandbox employees volunteered for over 200 hours.

Other Highlights

When disaster strikes the communities that we operate in, Sandbox is there to support with funding through our Emergency Response Program. In the wake of the devastating 2024 Jasper fires, we acted quickly to provide funding to the town and citizens of Jasper with a **$5,000** donation to Jasper Community Team Society.

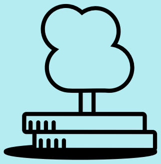
Sandbox committed to supporting diversity, equity, and inclusion initiatives throughout 2024 with over **$20,000** in donations. We supported organizations such as Black Canadian Women in Action, Pride Festivals throughout Western Canada, Rock your Roots Walk for Reconciliation, and more.

Sandbox staff took part in the Giving Tuesday movement again in 2024, by nominating and voting on three charities to support across Alberta, Saskatchewan, and Manitoba. Selected charities each received **$1,000**: Alberta Homeward Hound, Empty Arms, and Variety Manitoba.

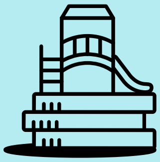
Every child deserves a space to dream big. Sandbox was thrilled to support Nutrien Wonderhub with a **$3,000** donation to their Create Space in 2024!

Our Core Focus Areas

Programs that support underserved community members



Programs that support healthy well-being



Programs that support youth

Programs that support insurance-based services

Board of Directors

Alan Migneault, Chair
CPA, CA, ICD.D

Born and raised in Saskatchewan, Alan Migneault is the President of AJM Management Corp. As a professional management consultant, he works with clients across Western Canada to scale up businesses for transition to new owners or to improve their businesses through financial restructuring, acquisitions, or divestitures and typically takes on the interim capacity of Chief Executive Officer or Chief Financial Officer while working with his clients. In addition, as an owner with his partner, they operate an expanding multi-location and multi-brand restaurant group of companies.

With a bachelor's degree in Commerce from the University of Saskatchewan and a Chartered Professional Accountant (CPA, CA) designation, Alan started his career working with PricewaterhouseCoopers LLP and later transitioned to consulting where he led the technology and risk management practice in Western Canada. In addition, Alan has led plans and initiatives for growth and expansion as an executive in a regulated financial institution, as the Chief Executive Officer of an Economic Development Organization, and as the Chief Financial Officer of a group of Truck dealerships.

Alan's work experience spans several different industries including the Canadian banking industry, telecommunications, manufacturing, hospitality, economic development, and the transportation industry. A passionate supporter of the business through various associations, Alan has held several Board Director and Committee positions in industry and community-based associations. Alan was elected to the Sandbox Board of Directors in June 2021 and assumed the role of Board Chair on May 31, 2024. Regularly following the path of continuous development, Alan recently obtained the designation ICD.D through the Institute of Corporate Directors, Directors Education Program.

Susan Milburn, Vice-Chair
MBA, ICD.D

Susan's professional career was spent in the investment industry where she served individual investors for over four decades. She graduated from the University of Saskatchewan with a BComm majoring in Finance and Marketing along with a Master of Business Administration. Susan has served on many boards, both in the for-profit sector and in the charitable sector, and currently sits on the Board of the Saskatoon Airport Authority. She has been included in Saskatchewan Business Magazine's annual list of 10 Most Influential Women, received the Alumni Service Award from the University of Saskatchewan Alumni Association, and been named a Woman of Distinction by Raymond James Ltd. Susan was elected to the Sandbox Board of Directors on May 30, 2019.

Board of Directors
continued

Briana Brownell
BSc, M.A.

Briana is the founder and CEO of Pure Strategy, Inc. She has a Master of Arts in Economics from Carleton University and a Bachelor of Science in Mathematics from the University of Saskatchewan. Briana currently serves on the board of League Data and has served on the boards for AI Governance and Safety Canada, Saskatoon Opera, and the Marketing Research and Intelligence Association. She holds the Innovation Governance Program (iGP) Level 3 designation. Briana was named as VentureBeat's AI Entrepreneur of the Year in 2021, one of Authority Magazine's Top Women Leaders in AI, was a finalist for the YWCA Women of Distinction Award in Research and Technology, and was featured as one of Innovation Saskatchewan's Entrepreneurship Success Stories. Briana was elected to the Sandbox Board of Directors on June 25, 2020.

Andrew Cartmell
FCAS, FCIA, CIP, C.Dir

Andrew is currently an insurance consultant and has over 40 years of property and casualty experience, 13 years of which was as President & CEO of Saskatchewan Government Insurance (SGI). Andrew has served on the boards for 3sHealth, PACICC, Facility Association, Coachman Insurance Company, Insurance Company of Prince Edward Island, SGI Canada Insurance Services Limited, and Master Gardeners of Ontario. He was also a Leader's Council Member for Hill and Levene Schools of Business.

In addition to Andrew's actuarial qualifications (FCAS, FCIA), he is a Chartered Insurance Professional (CIP) and has completed the Chartered Director Program (C.Dir). Andrew was elected to the Sandbox Board of Directors in May 2024.

Catherine Gryba
BSc, ICD.D

Catherine owns CRG Strategies, a management consulting business specializing in strategy, communications, and executive/Board relations. She currently is a board member with the Golden Opportunities Fund, The Prosperity Project, Board of Trustees for Huskie Athletics, the Canada Games Foundation, the Saskatoon Club, Co-Chair of the Institute of Corporate Directors, Saskatchewan Chapter, and previously served on the boards of Saskatchewan Blue Cross, United Way of Saskatoon, Shakespeare on the Saskatchewan, and the Nutrien Wonderhub. In addition to extensive professional development training, Catherine holds a Bachelor of Science, Physical Education degree, majoring in Commerce, from the University of Saskatchewan. Catherine retired in 2017 from the City of Saskatoon after holding several positions, her most recent being General Manager, Corporate Performance Department. She was elected to the Sandbox Board of Directors in May 2018.

Board of Directors
continued

Troy Milnthorp
FSA, FCIA, SOA, CIA, ICD.D

Troy is the Senior Managing Director, Corporate Funds with the Saskatchewan Teachers' Federation (STF) where he assumes oversight responsibility for all pension, health, life insurance, and disability programs administered by the STF, including plan administration, risk management, strategic direction, innovation, and investment management. He was previously a partner with Aon Hewitt acting as an account executive for a large book of business for various clients. Troy is an actuary holding his FSA, FCIA, SOA, and CIA and obtained his Bachelor of Science in Statistics (Honours) from the University of Saskatchewan. Troy was elected to the Sandbox Board of Directors in May 2018.

Palash Sanyal
GCB.D, PMP, MWS, MEng, MSc

Palash is a seasoned expert in governance and sustainability, bringing over a decade of experience in strategic management and economic resilience. He serves on non-profit and for-profit boards, leads Governing Water Inc., and specializes in water governance and professional training. Calling Saskatchewan home, Palash values and is deeply involved in his community. He holds PMP, GCB.D, CPF designations, and three master's degrees. Palash was elected to the Sandbox Board of Directors in June 2022.

Erin Smith
ICD.D, J.D., MBA, BA (Hons)

Erin is the Chief Executive Officer of Grasslands Finance Corp., a lending company that specializes in life insurance financing for high-net worth and ultra-high-net worth individuals and families. Prior to joining Grasslands, Erin was the Chief Operating Officer for a large life insurance brokerage that created and implemented innovative, proprietary life insurance solutions for successful families and entrepreneurs with the goal of optimizing intergenerational wealth and legacy. Erin also has experience working as a corporate commercial lawyer with one of Western Canada's most prominent law firms. She has a J.D. / MBA from Queen's University and a Bachelor of Arts (First Class Honours) from McGill University.

Erin has completed the Directors Education Program and obtained her ICD.D through the Institute of Corporate Directors and Rotman School of Management. She has served as a volunteer on the board for Saskatoon Crisis Intervention Service and Maria Montessori Preschool and Elementary. Erin was elected to the Sandbox Board of Directors on June 25, 2020.

Board of Directors
continued

Barry Walter
BComm, CPA, CA

Barry graduated from the University of Saskatchewan, Edwards School of Business with a Bachelor of Commerce degree, majoring in accounting and is a Chartered Professional Accountant (CPA, CA). Prior to his retirement in 2017, Barry was Senior Vice-President and Chief Financial Officer for VersaBank (formerly Pacific & Western Bank of Canada), a Canadian Schedule 1 Bank, and had the same position for its parent company. Both entities were public companies listed on the Toronto Stock Exchange. Barry is active in the community serving on the board of directors for several not-for-profit organizations including Emmanuel Care and Riverside Country Club. Barry was elected to the Sandbox Board of Directors in June 2021.

Rob Jones, President & CEO
B.Comm, BA, Pro.Dir

Rob Jones assumed the role of President & CEO of Sandbox Mutual Insurance in December 2024, building on his impactful tenure as Senior Vice-President, Growth & Customer Experience, since 2020. Rob brings a wealth of leadership experience to his position. Before joining Sandbox, he held several high-profile roles, including Chief Information Officer (CIO) and Chief Operating Officer (COO) at Prairie Centre Credit Union (PCCU). Additionally, he served as Vice-President, Strategy & Client Experience at Doxim Solutions, where he honed his expertise in strategy and client engagement.

Rob holds a Bachelor of Arts in Psychology and a Bachelor of Commerce with a major in Accounting. He has furthered his knowledge through specialized programs at renowned institutions, including Strategic Planning at the Wharton School of Business and Organizational Effectiveness at Cornell University. He also completed a Leadership Development program at the University of Saskatchewan and holds the Professional Director (Pro.Dir) designation.

Board Committees *Effective May 31, 2024*

Audit & Finance	HR & Governance	Compliance & Risk
Susan Milburn – Chair	Erin Smith – Chair	Briana Brownell – Chair
Catherine Gryba	Briana Brownell	Andrew Cartmell
Troy Milnthorp	Andrew Cartmell	Palash Sanyal
Palash Sanyal	Catherine Gryba	Erin Smith
Barry Walter	Troy Milnthorp	Barry Walter

Senior Leadership

Rob Jones
President & CEO

Rachel Kehrig
Chief Experience Officer

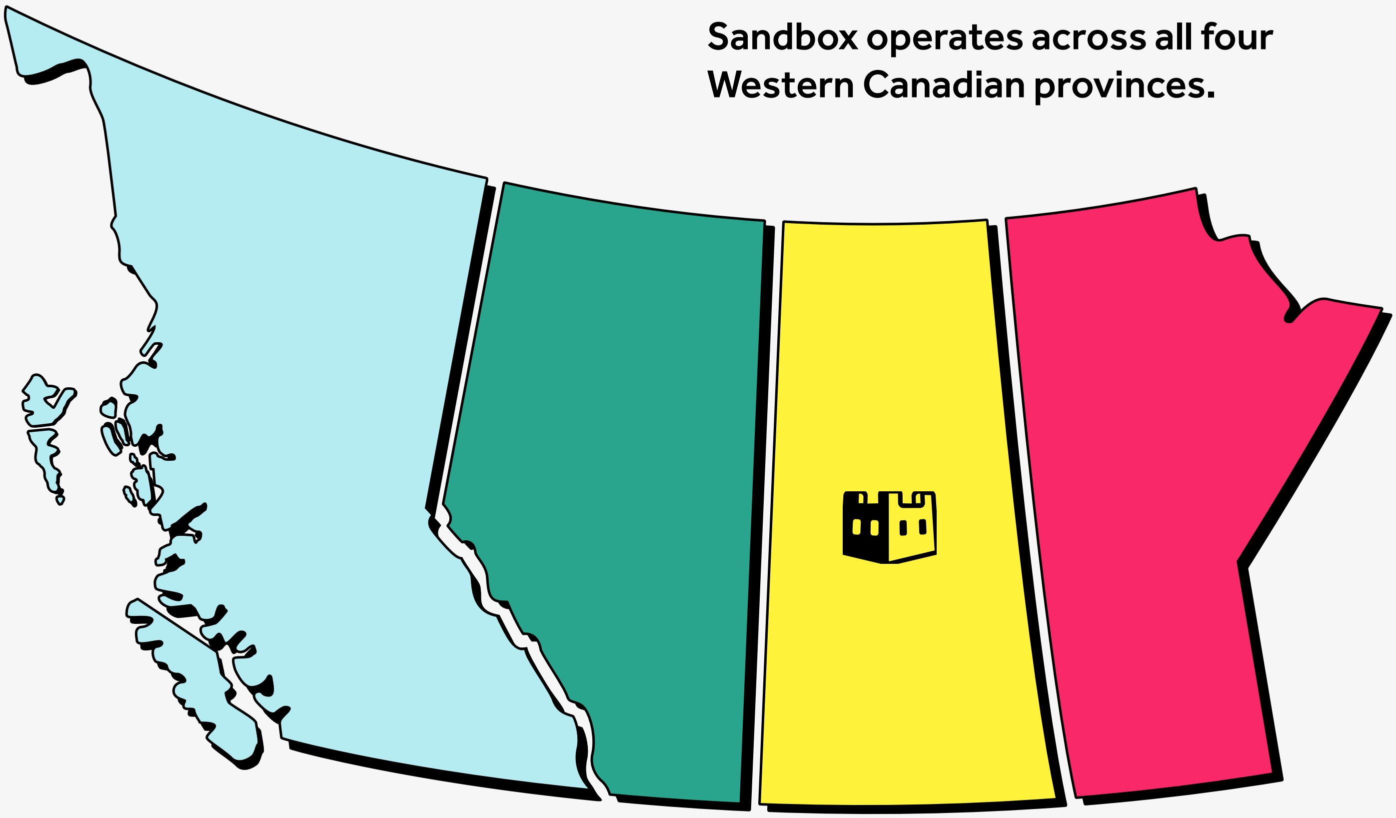
Chelsa Materi
Chief Growth Officer

Eddie Tettevi
Chief Risk & Compliance Officer

Jennifer Woloschuk
Chief Financial Officer

Jason Evans
VP, Claims & Facilities Management

Sandbox operates across all four Western Canadian provinces.



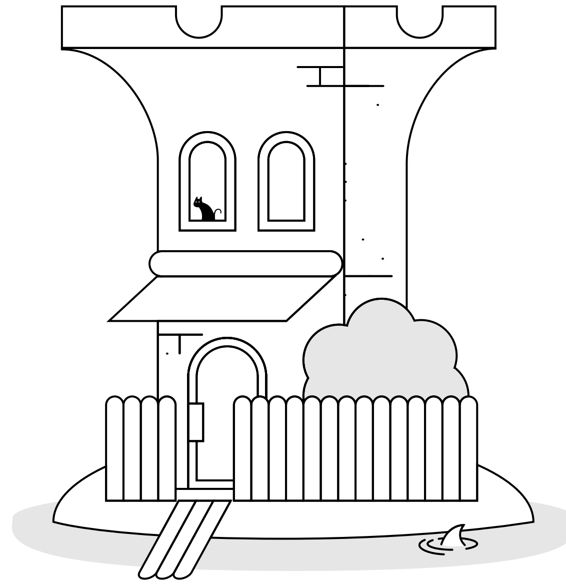
The following appointed actuary provided an independent assessment of Sandbox's policy liabilities:

Andrea Sherry
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba

February 26, 2025

Risk

At Sandbox Mutual Insurance, we're all about keeping things delightfully simple—even when it comes to managing risks. Here's how we handle it:



Enterprise Risk Management

At Sandbox, we see risk management as part of our growth journey. It's flexible, adaptable, and designed to evolve as we do. By staying agile, we make smart decisions that help us create value while managing risks thoughtfully.

Our day-to-day risk practices are aligned with our risk appetite to keep Sandbox financially strong and resilient. This means we're always ready to handle the unexpected, pay claims reliably—even during tough times—and, most importantly, protect the trust and peace of mind of every policyholder we serve.

Emerging Risks on Our Radar

Looking ahead, we've spotted a few areas that need our attention:

Climate Risk

Extreme weather events are on the rise, and 2024 was a record year for losses due to wildfires, floods, and storms. We're keeping a close eye on these developments, crafting products that help communities rebuild stronger, and working with experts to model and prepare for potential catastrophes.

Information Security Risk

Your data security is paramount. In 2023 and 2024, we beefed up our information security measures, ran drills to prepare for potential incidents, and established clear protocols to respond effectively. We've also ensured we have solid cyber insurance coverage and held info sessions to keep everyone in the loop.

Regulatory Compliance

The regulatory landscape is always changing. Over the past two years, we've seen significant updates encouraging us to innovate and adapt. We're committed to applying these expectations in proportion to our risk profile, ensuring we remain compliant without losing sight of our strategic goals.

At Sandbox, we're dedicated to navigating these risks thoughtfully, all while keeping your experience delightfully simple.

Key Risks and Our Game Plan

We've identified some key areas where we need to stay on our toes. Here's how we're tackling them:

People Risk

Our team is our greatest asset. To support our growth, we've zeroed in on getting the right folks in the right roles. In 2024, we rolled out a fresh recruitment and onboarding strategy to attract and keep top talent. Plus, we're all ears when it comes to employee feedback, using it to iron out any kinks in our processes.

Distribution Risk

Our products reach you the policyholder through a trusted network of brokers partners.
By engaging with them and building strong partnerships, we're making sure our insurance solutions are always within your reach.

Strategic Actions Risk

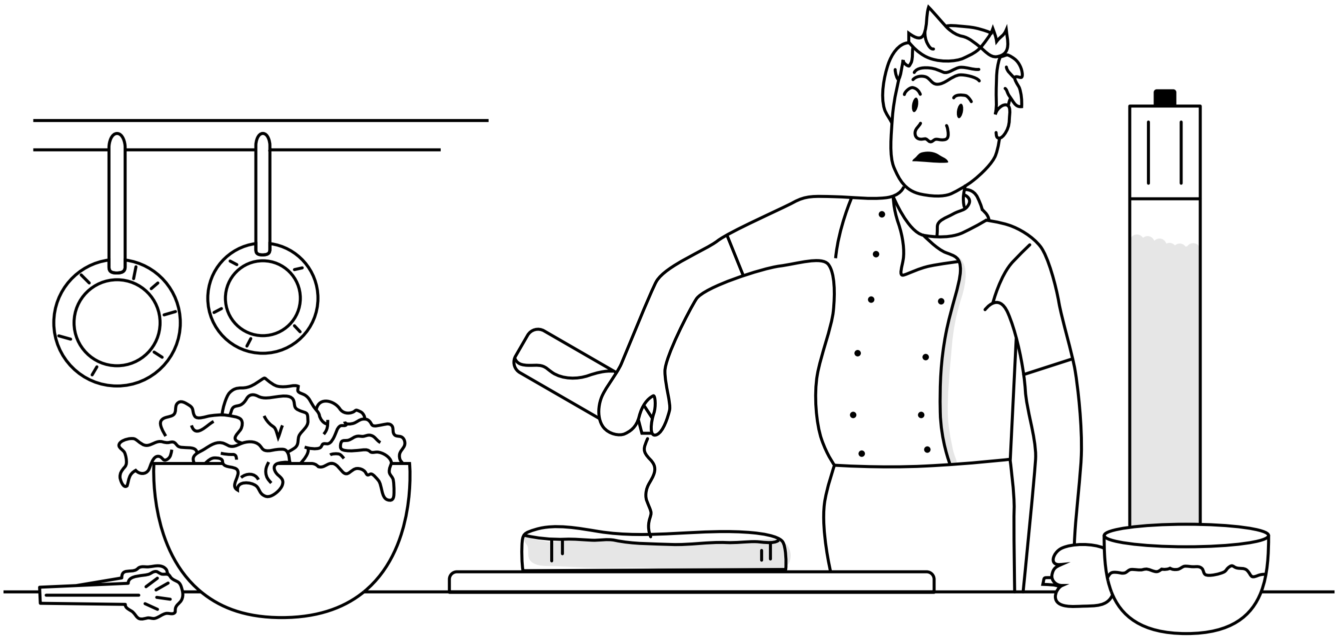
We're on track to reach $180 million in direct written premium (DWP) by delivering an insurance experience that's as simple as possible. Our new project management team laid out a clear roadmap to keep our strategic goals in check and in 2024, we executed all our strategic projects on time and on budget.

Information Technology Risk

Technology is at the heart of what we do. We collaborate closely with our key tech vendors to ensure everything runs smoothly. Regular assessments keep us aligned with industry standards, and in 2024, we used tech solutions to tackle key challenges across all departments.

Competition Risk

Staying competitive means keeping our pricing models sharp and our products relevant. We're continuously refining our offerings to align with the market and meet your needs, helping us achieve our growth ambitions.



Report of Management Accountability

The accompanying financial statements of Sandbox Mutual Insurance Company have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and have been approved by the Board of Directors.

Management is responsible for ensuring that these statements are consistent with other information and data contained in the Annual Report and reflect the Company's business transactions and financial position. In preparing these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities depends on future events. Management believes such estimates have been based on careful judgments and are properly reflected in the accompanying financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate, and reliable financial information. The integrity and reliability of the Company's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees, and appropriate delegation of authority and division of responsibilities. The Company's Code of Business Conduct, which is communicated to all levels in the Company, requires employees and directors to maintain high standards in the conduct of the Company's affairs.

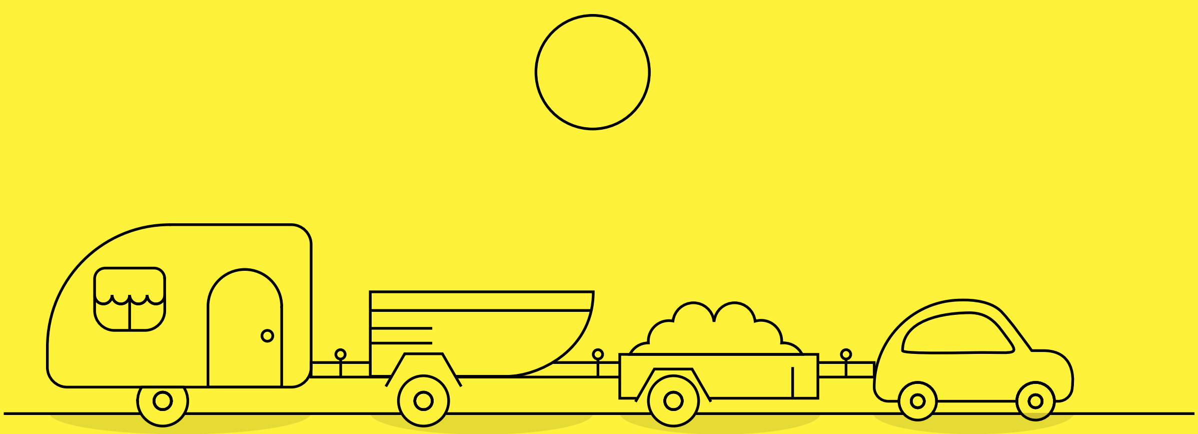
The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal controls and is ultimately responsible for reviewing and approving the financial statements. The Board is assisted in exercising its responsibilities through the Audit & Finance Committee of the Board, composed of five non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

The accompanying financial statements have been audited by KPMG LLP. The auditors have access to the Audit & Finance Committee, without management present, to discuss the results of their work. Their report dated February 27, 2025, appearing on page 18, expresses their unqualified opinion on the Company's 2024 financial statements.

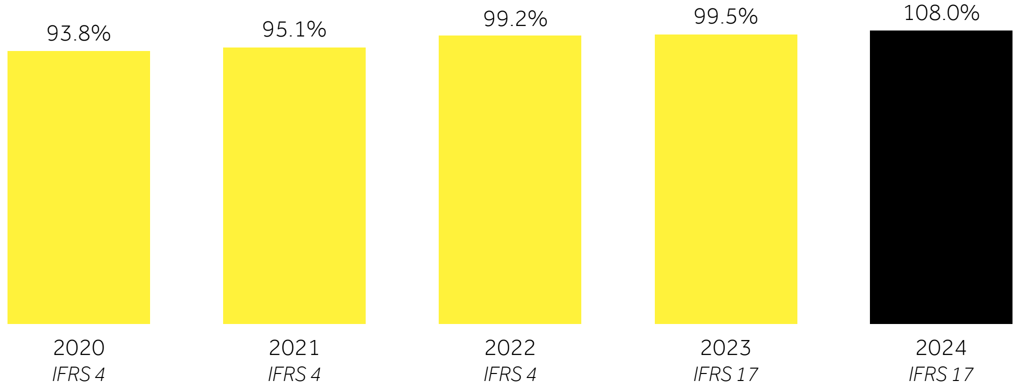
Rob Jones, BComm, BA, ProDir, President & CEO

Jennifer Woloschuk, CPA, CMA, Chief Financial Officer

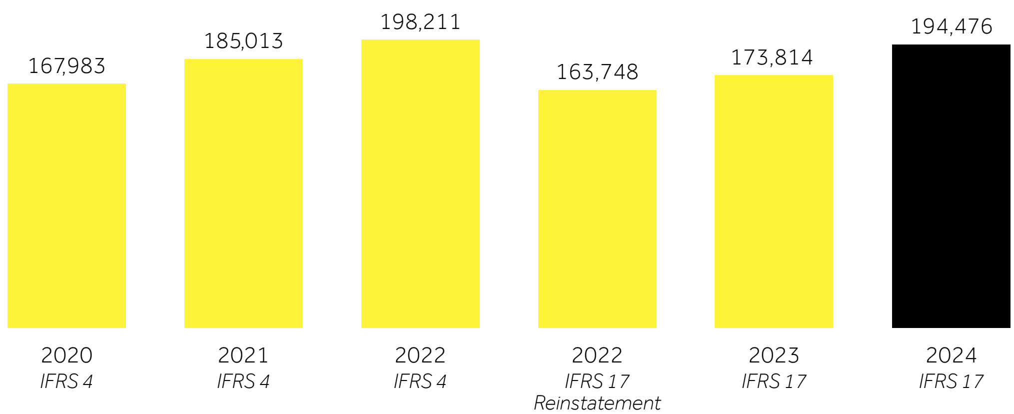
February 27, 2025



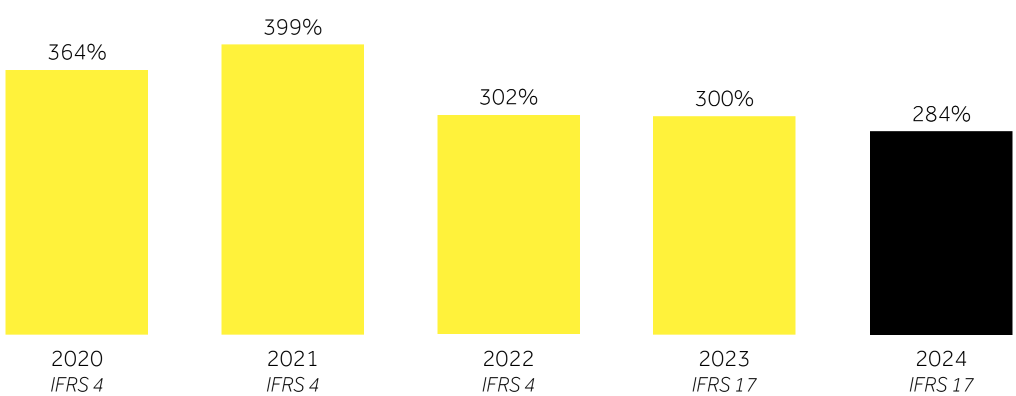
Financial Snapshot



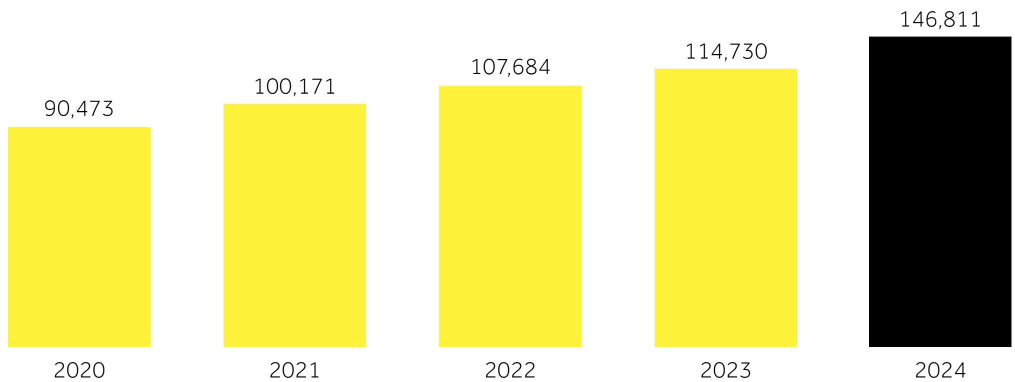
Combined Ratio



Total Assets
$ in thousands

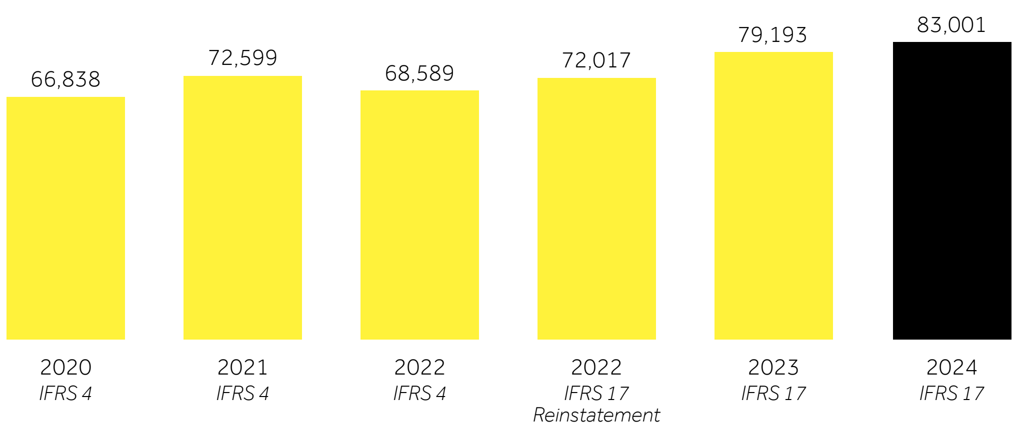


Minimum Capital Test (MCT)



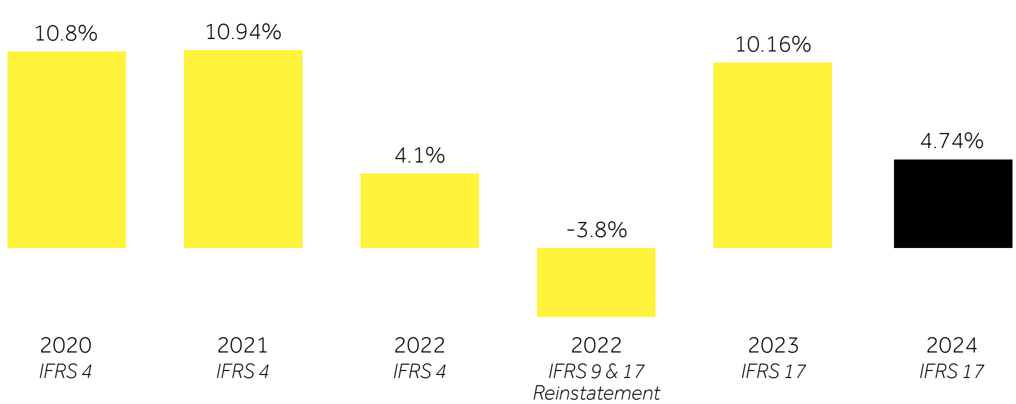
Gross Written Premium

$ in thousands



Policyholders' Surplus

$ in thousands



Return on Equity (ROE)

based on comprehensive income

Independent Auditor's Report

To the policyholders of Sandbox Mutual Insurance Company

Opinion

We have audited the financial statements of Sandbox Mutual Insurance Company (the Entity), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income (loss) for the year then ended
- the statement of changes in policyholders' surplus for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 auditor's report.

We are independent of the Entity 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists..

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Saskatoon, Canada
February 27, 2025

Statement of Financial Position

(in thousands of Canadian dollars)
Year ended December 31, 2024, with comparative figures for 2023

		2024		2023
Assets				
Cash and cash equivalents	$	17,498	$	8,414
Investments (note 6)		137,743		129,996
Reinsurance contract held assets (note 8)		14,934		10,823
Income taxes receivable (note 11)		229		-
Property and equipment (note 9)		14,731		15,084
Asset held for sale (note 10)		499		499
Net pension benefit asset (note 12)		4,247		4,174
Intangible asset (note 13)		4,317		4,591
Other assets		278		233
	$	194,476	$	173,814
Liabilities and Policyholders' Surplus				
Liabilities				
Accounts payable	$	3,763	$	2,481
Income taxes payable (note 11)		-		1,693
Insurance contract liabilities (note 8)		99,980		82,368
Deferred tax liability (note 11)		2,092		2,339
Other liabilities (note 12)		307		302
Long term debt (note 15)		5,333		5,438
	$	111,475	$	94,621
Policyholders' surplus				
Surplus and reserves for protection of policyholders		83,001		79,193
	$	194,476	$	173,814

See accompanying notes to financial statements.
Approved by the Board:

Alan Migneault Director

Rob Jones Director

Statement of Comprehensive Income (Loss)

(in thousands of Canadian dollars)
Year ended December 31, 2024, with comparative figures for 2023

	2024	2023
Insurance revenue (note 8)	$ 128,948	$ 110,462
Insurance services expense (note 8 and 17)	(120,999)	(90,278)
Insurance service result from insurance contracts	**7,949**	**20,184**
Reinsurance premiums ceded (note 8)	(11,267)	(9,859)
Recoverable from (expenditures to) reinsurers for incurred claims (note 8)	5,366	(640)
Net expense for reinsurance contracts held	**(5,901)**	**(10,499)**
Insurance service result	**2,048**	**9,685**
Net investment income (note 6)	6,877	4,562
Net investment fair value gains (note 6)	6,078	3,889
Net investment income	12,955	8,451
Finance income from insurance contracts issued (note 8)	(5,320)	(4,303)
Finance expense from reinsurance contracts held (note 8)	798	778
Net insurance finance result	(4,522)	(3,525)
Net investment income and insurance finance result	**8,433**	**4,926**
Net insurance and investment result	**10,481**	**14,611**
Insurance service charge revenue	1,627	1,402
General and operating expenses (note 17)	(6,951)	(5,665)
Earnings before income taxes	**5,157**	**10,348**
Income taxes (note 11)	1,315	2,663
Net earnings	**3,842**	**7,685**
Other comprehensive income		
Items that will not be reclassified subsequently to net income:		
Net actuarial loss on employee future benefits (note 12)	(46)	(697)
Income tax benefit (note 11)	12	188
Items that will not be reclassified subsequently to net income	**(34)**	**(509)**
Total other comprehensive loss	**(34)**	**(509)**
Comprehensive income	**$ 3,808**	**$ 7,176**

See accompanying notes to financial statements.

Statement of Changes in Policyholders' Surplus

(in thousands of Canadian dollars)
Year ended December 31, 2024, with comparative figures for 2023

		Surplus and reserves for protection of policyholders
Balance, January 1, 2023	$	72,017
Net earnings		7,685
Other comprehensive loss		(509)
Comprehensive income		7,176
Balance, December 31, 2023	$	79,193
Net earnings		3,842
Other comprehensive loss		(34)
Comprehensive income		3,808
Balance, December 31, 2024	$	83,001

See accompanying notes to financial statements.

Statement of Cash Flows

(in thousands of Canadian dollars)
Year ended December 31, 2024, with comparative figures for 2023

	2024	2023
Cash flows from operating activities:		
Net earnings	$ 3,842	$ 7,685
Items not affecting cash:		
Income taxes	1,315	2,663
Depreciation of property and equipment	1,070	911
Amortization of intangible assets	1,675	1,592
Gains on investments	(6,078)	(3,889)
Income taxes refund (paid)	(3,472)	1,587
Change in non-cash balances related to operations:		
Insurance and reinsurance contract assets/liabilities	13,501	4,129
Employee future benefits	(114)	(198)
Receivables	(45)	2
Payables	1,282	101
	12,976	14,583
Cash flows from investing activities:		
Purchase of investments	(12,783)	(15,809)
Proceeds from sale of investments	11,114	1,585
Purchase of intangible assets	(1,401)	(1,589)
Purchase of property and equipment	(717)	(631)
	(3,787)	(16,444)
Cash flows from financing activities:		
Payments on long term debt	(105)	(75)
	(105)	(75)
Increase (decrease) in cash and cash equivalents	9,084	(1,936)
Cash and cash equivalents, beginning of year	8,414	10,350
Cash and cash equivalents, end of year	**$ 17,498**	**$ 8,414**
Cash and cash equivalents are comprised of:		
Cash in bank less outstanding cheques	12,498	5,414
Short-term investments	5,000	3,000
	$ 17,498	**$ 8,414**

See accompanying notes to financial statements.

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

1. Company information:

Sandbox Mutual Insurance Company (the "Company") is a Canadian federally registered mutual corporation licensed to write property, automobile, liability, fidelity and boiler and machinery insurance, in the provinces of Saskatchewan, Manitoba, Alberta and British Columbia. The Company is subject to the Insurance Companies Act (the "Act") and to regulation by the Office of the Superintendent of Financial Institutions Canada ("OSFI") and the Provincial Superintendents of Financial Institutions/Insurance for the provinces in which the Company is licensed. The Company's head office is located at 250 Willis Crescent, Saskatoon, Saskatchewan, S7T 0V2, Canada.

These financial statements have been presented by management to the Audit & Finance Committee. Management and the Audit & Finance Committee report to the Board of Directors, which approved the financial statements on February 26, 2025. The financial statements will be presented for approval by the policyholders at the Annual General Meeting which will take place on May 15, 2025.

2. Basis of presentation:

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention, except for; insurance and reinsurance contracts which are measured in accordance with accepted actuarial practice as required by IFRS 17 and the measurement of available for sale financial assets and pension and other benefit liabilities which are measured at fair value.

(c) New accounting standards

IFRS 18, *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, Presentation and Disclosures in Financial Statements, which will replace IAS 1. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a new-defined operating profit sub-total. The Entity's new profit will not change.
- Management defined performance measurers (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and must be applied retrospectively. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements.

2. Basis of presentation (continued):

(c) New accounting standards (continued)

IFRS 9 & IFRS 7 Amendments, Classification and measurement of financial instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendments clarify certain concepts relating to classification of financial assets, including those with contingent features. The amendments address the recognition and derecognition of financial assets and liabilities settled using an electronic payment system. The amendments also introduce certain new disclosure requirements for financial instruments measured at fair value through other comprehensive income and amortized cost. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Company is currently evaluating the impact that this amendment will have on its financial statements.

(d) Statement of financial position classification

The statement of financial position has been prepared using the liquidity format in which the assets and liabilities are presented broadly in order of liquidity. The assets and liabilities comprise both current and non-current amounts.

(e) Functional and presentation currency

These financial statements are presented in Canadian dollars which is also the Company's functional currency.

3. Material accounting policy information:

The following principal accounting policies used in the preparation of these financial statements are consistent with those of the previous financial year.

(a) Financial instruments:

(i) Initial recognition

At initial recognition, the Company measures a financial asset or financial liability at its fair value, plus or minus (in the case of a financial asset or financial liability not at fair value through profit or loss) transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed following the change in business model.

The Company invests in pooled funds with underlying assets of short-term fixed income, bonds and debentures, mortgages and equities which represents fund portfolios that are managed and whose performance are evaluated on a fair value basis in accordance with its investment policy. The Company classifies these investments at fair value through profit or loss.

3. Material accounting policy information (continued):

(a) Financial instruments (continued):

(i) Initial recognition (continued):

Cash and cash equivalents consist of balances with financial institutions and short-term investments with an initial term to maturity of three months or less, net of cheques and other items in transit. Cash and cash equivalents are classified and measured at amortized cost because they are held within a business model to collect contractual cash flows and pass the solely payments of principal and interest (SPPI) test.

For receivables, the Company considers these financial assets to be held within a business model whose objective is to hold assets to collect the contractual cash flows related to the financial assets that are solely comprised of principal and interest.

(ii) Impairment of financial asset

The Company applies a simplified impairment approach for receivables and measured at amortized cost that are short dated and with low history of loss. The loss allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit losses.

(iii) Determination of fair value

The fair value of available for sale financial assets is based on quoted market prices of the underlying investments at the statement of financial position date without any deduction for estimated future selling costs. The Company accounts for available for sale financial assets using trade date accounting.

The fair value of financial liabilities is based on quoted market prices of the underlying liability at the statement of financial position date.

(iv) Classification and subsequent recognition of financial liabilities

Financial liabilities include accounts payable, loan due on demand and other liabilities. These are measured at amortized cost using the effective interest rate method. The classification is determined by management at initial recognition and depends on the purpose for which the liabilities were incurred.

(b) Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation. Cost includes expenditures directly attributable to the acquisition of the asset. Interest on debt was capitalized into the cost of the building under construction and subsequently capitalized into the building after construction and occupation.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable the future economic benefits will flow to the Company and the cost of the item can be reasonably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to net earnings during the financial period in which they are incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3. Material accounting policy information (continued):

(b) Property and equipment (continued):

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation is recognized in net earnings over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. Depreciation on other assets is calculated using either the straight-line or declining balance as follows:

Asset	Basis	Rate
Building	Straight-line	50 years
Building – major components	Straight-line	20 – 35 years
Furniture and equipment	Declining balance	20%
Computer equipment	Straight-line	3 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount. These are included and recognized with investment income in net earnings.

(c) Assets held for sale:

Assets are recognized and designated as held for sale when it has been discontinued for operational use, and it is held temporarily pending probable sale. Assets held for sale are measured at the lower of their carrying amounts or fair value less costs to sell.

(d) Intangible assets:

The Company's intangible assets consist of identifiable and unique software controlled by the Company. Costs directly attributable to the design and testing of identifiable and unique software controlled by the Company are recognized as intangible assets when the costs can be measured reliably, the product is feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete the development and use the asset. The expenditures capitalized include the cost of software development and employee costs directly related to the testing and implementation of the software.

Customized computer software is not amortized until such time as the asset is available for use, after which it is amortized on a straight-line basis over its useful life which ranges from two to ten years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Intangible assets are assessed for impairment whenever there is an indication the intangible asset may be impaired. An impairment loss is recognized when the carrying amount exceeds the fair value.

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

3. Material accounting policy information (continued):

(e) Insurance contracts:

(i) Definition and classification of insurance contracts

The Company issues property, casualty and automobile insurance contracts with a duration of a year or less. Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk is defined as the possibility of having to pay benefits on the occurrence of an insured event.

In the normal course of business, the Company uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

Property insurance contracts compensate the Company's policyholders for damage suffered to their property or for the value of property lost. Policyholders who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Casualty insurance contracts protect the Company's policyholders against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for individual and business policyholders who become liable to pay compensation to a third party for bodily harm or property damage (public liability) and for employers who become legally liable to pay compensation to injured employees (employers' liability).

Automobile insurance contracts compensate the Company's policyholders for damage suffered to their automobiles and provide financial protection against third party physical damage and/or bodily injury resulting from traffic collisions and against liability that could also arise therefrom.

(ii) Level of aggregation

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

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

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

3. Material accounting policy information (continued):

(e) Insurance contracts (continued):

(ii) Level of aggregation (continued):

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except 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.

(iii) Summary of measurement approaches

The Company measures insurance contracts issued and reinsurance contracts held applying the premium allocation approach (PAA) as the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary or the measurement of the liability for remaining coverage (LRC) for the group in general measurement model (GMM) that would not differ materially from the one that would be produced applying the PAA. The LRC is not adjusted to reflect the time value of money and effect of financial risk.

Contract boundary

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

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

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the cost of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. These costs are deferred and amortized into profit and loss as the related premiums are earned. Insurance acquisition cash flows paid before the recognition of the related group of contracts are recognized as an asset and subsequently derecognized and included within the group of insurance contracts when the related contracts are recognized.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognized, to reflect changes in assumptions. At each reporting date, the Company assesses for impairment and will recognize impairment losses when the carrying amount of the asset exceeds the expected net cash inflows for the related group of insurance contracts. The Company reverses any impairment losses and increases the carrying amount of the asset to the extent that the impairment conditions have reversed.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfills insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in note 4.

3. Material accounting policy information (continued):

(e) Insurance contracts (continued):

(iii) Summary of measurement approaches (continued):

Insurance Contract Liabilities - Initial Measurement

On initial recognition of each group of insurance contracts that is not onerous at initial recognition, the Company measures the LRC as:

- Premiums received on initial recognition;
- Less any insurance acquisition cash flows allocated to the group, adjusted for any amounts previously recognized for cash flows related to the group; 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.

If there are indications a group of insurance contracts is onerous, then the Company recognizes a loss in insurance service expense in the statement of comprehensive income and increases the LRC coverage if the current estimates of the fulfillment cash flows that relate to remaining coverage exceed the carrying amount of the LRC. This excess is recognized as a loss component within the LRC, which is reported in insurance contract liabilities on the statement of financial position.

Insurance Contract Liabilities - Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the LIC.

The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period:

- Plus premiums received in the period;
- Plus the amortization of insurance acquisition cash flows recognized as expenses;
- Minus the amount recognized as insurance revenue for services provided;
- Minus any additional insurance acquisition cash flows allocated after initial recognition.

The LIC includes the fulfillment cash flows for losses on claims and expenses that have not yet been paid, including those that have been incurred but not reported. The LIC reflects current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk. The Company adjusts the LIC to reflect the time value of money and financial risk that considers the characteristics of the liabilities and the duration of each portfolio of contracts.

The Company remeasures the loss component using the same calculation as on initial recognition and reflects any changes by adjusting the loss component as required until the loss component is reduced to zero. If a loss component did not exist on initial recognition but there are indications that a group of contracts is onerous on subsequent measurement, then the Company established a loss component using the same methodology as on initial recognition.

Reinsurance Contract Assets – Initial Measurement

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

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

3. Material accounting policy information (continued):

(e) Insurance contracts (continued):

(iii) Summary of measurement approaches (continued):

When there is an onerous group of underling contracts, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held.

This loss recovery component adjusts the carrying amount of the reinsurance contract asset held.

Reinsurance Contract Assets – Subsequent Measurement

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

If a loss-recovery component exists, it is adjusted on subsequent measurement to reflect changes in the loss component of the onerous group of underlying contracts to the extent that it impacts reinsured cash flows, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Company expects to recover from the reinsurance contract assets held.

(iv) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Potential cash inflows from both salvage and subrogation are included with the cash flows of the boundary of an insurance contract and, to the extent they do not qualify for recognition as separate assets, potential cash inflows from recoveries on past claims.

(v) Insurance revenue

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

(vi) Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits;
- other incurred directly attributable insurance service expenses;
- amortization of insurance acquisition cash flows; and
- changes relating to past service (i.e. changes in the future cash flows relating to the LIC).
- changes relating to future service - onerous contract losses or reversals of those losses.

The amortization of insurance acquisition cash flows is based on the passage of time.

3. Material accounting policy information (continued):

(e) Insurance contracts (continued):

(vi) Insurance service expenses (continued)

Other expenses not meeting the above categories are included in general and operating expenses in the statement of comprehensive income.

(vii) Net expense for reinsurance contracts held

Included in net expenses from reinsurance contracts held on the statement of comprehensive income are amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows contingent on claims on the underlying contracts as part of the claims expected to be reimbursed under the reinsurance contract held. Where reinsurance cash flows are not contingent on claims on the underlying contracts, they are included as part of the allocation of reinsurance premiums ceded.

(viii) Insurance finance income and expense

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

(f) Income taxes:

Income tax expense comprises current and deferred tax. Tax is recognized in net earnings, except to the extent it relates to items recognized directly in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognized, using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to be recovered or settled.

Deferred tax assets are recognized to the extent that it is probable future taxable income will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

3. Material accounting policy information (continued):

(g) Employee benefits:

(i) Pension obligations

The Company maintains a pension plan for substantially all of its employees. The plan is composed of defined contribution provisions as well as defined benefit pension provisions.

For the defined contribution provisions, the Company's obligations are limited to contributions made for current service.

The Company's defined benefit pension provisions are available to certain of its employees. The defined benefit provisions define an amount of pension benefit an employee will receive on retirement, dependent upon age, years of service and compensation. Service was frozen as of June 30, 2014.

The asset/(liability) recognized in the statement of financial position in respect of the defined benefit pension provisions is the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the end of the financial reporting period together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected benefit method. Accordingly, the cost is pro-rated on service and charged to expense as services are rendered. This cost reflects management's best estimates of salary escalations, mortality of members, terminations and the ages at which members will retire and the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate.

Past service costs from plan amendments to the defined benefit provisions are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Re-measurements on assets relating to the defined benefit provisions arise from the difference between the actual return on plan assets for a period and the interest income credited on plan assets at the rate used to discount the defined benefit obligation for that period. Re-measurements on the defined benefit obligation result from actuarial gains (losses) arising from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Net re-measurement gains (losses) are recognized in other comprehensive income in the period they occur. Such re-measurements are also immediately reclassified to surplus and reserves for protection of policyholders as they will not be reclassified to net earnings in subsequent periods.

(ii) Other post-employment obligations

The Company accounts for the cost of all non-pension future benefits, including accumulated sick leave payouts and life insurance for eligible retirees on an accrual basis. These costs are recognized in net earnings in the period during which services are rendered and are determined by independent actuaries annually using the projected benefit method pro-rated on service. This method reflects management's best estimate of salary escalations, mortality of members, terminations and the ages at which members will retire and the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate.

3. Material accounting policy information (continued):

(g) Employee benefits (continued):

(i) Other post-employment obligations (continued)

Re-measurements on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Net re-measurement gains (losses) are recognized in other comprehensive income in the period they occur. Such re-measurements are also immediately reclassified to surplus and reserves for protection of policyholders as they will not be reclassified to net earnings in subsequent periods.

The accumulated value for other employee future benefits is recorded in the statement of financial position in "Other liabilities".

4. Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Management reviews these estimates and assessments periodically, based on past experience and other factors. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Actual results could differ from these estimates.

Information about significant areas of judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3(e)(i) – classification of insurance, reinsurance contracts: assessing whether the contract transfers significant insurance risk;
- Note 3(e)(ii) – Level of aggregation of insurance and reinsurance contracts held (that is, having similar risks and being managed together): determining of contracts sets within portfolios and whether the Company has reasonable and supportable information to conclude all contracts within a set would fall into the same group; and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;
- Note 3(e)(iii) – Judgment involved in the PAA eligibility assessment for insurance and reinsurance contracts with a coverage period of more than one year; and measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract;
- Note 12 – Employee future benefits; measurement of defined benefit obligations: key actuarial assumptions.
- Note 3(e)(iii) – IFRS 17 assumptions and estimates

  Estimate of the liability for remaining coverage (LRC)

  The establishment of the Liability for Remaining Coverage (LRC) is influenced by several factors, including the expected fulfilment cash flows for each group of contracts. For groups of contracts that are identified onerous, the LRC 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 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.

4. Use of estimates and judgements (continued):

Estimate of the liability for incurred claims (LIC)

The establishment of the LIC is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. Uncertainty exists on reported claims since all information may not be available at the reporting date. In addition, claims may not be reported to the Company immediately, therefore estimates are made of the value of claims incurred but not yet reported. Factors considered include the Company's experience with similar cases and historical trends involving claims payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns, such as those caused by natural disasters or accidents.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claim department's personnel and independent adjusters retained to handle individual claims, the quality of data used for projection purposes, existing claims management practices, including claims handling are a critical part of the LIC determination, since the longer the span between the incident of loss and the payment or settlement of the claims, the more variable the ultimate settlement can be. Accordingly, short-tailed claims, such as property claims, tend to be more reasonably predictable than long-tailed claims, such as general and auto liability claims.

Consequently, the establishment of the LIC process relies on the judgment and opinions of a large number of individuals, on historical precedent, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The LIC and related reinsurers' share involves risk that actual amounts could vary materially from estimates in the near term.

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below together with information about the basis of calculation for each affected line item in the financial statements..

In applying IFRS 17 measurement requirements, the following inputs and methods were used that include significant estimates. The present value of future cash flows is estimated using deterministic scenarios, in which the assumptions used are derived to approximate the probability weighted mean of a full range of scenarios. For the sensitivities with regard to the assumptions made that have the most significant impact on measurement, refer to note 7.

Discount rates

Discount rates are derived using the bottom-up approach. Discount rates are based on the risk-free yield curves plus an illiquidity premium where applicable.

The Company utilizes the risk-free curves published by Bank of Canada which provide a full-term structure of interest rates. The illiquidity premium will be calculated on a annual basis. The illiquidity premiums are calculated in a similar way to the reference curve developed by the Canadian Institute of Actuaries (CIA), as the sum of an additive factor (but that varies by years to maturity) and 70% of the reference portfolio (that is comprised of investment grade corporate bonds) yield spread over risk free rates. The yield spread of the reference portfolio will be calculated based on an average of multiple years of yields to add a stability to the resulting illiquidity premium.

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

4. Use of estimates and judgements (continued):

Discount rates applied for discounting of future cash flows are listed below as at December 31:

Yield Curve	Insurance contracts issued/Reinsurance contracts held							
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years
2024	3.9%	3.9%	3.9%	4.0%	4.1%	4.3%	4.4%	4.6%
2023	5.1%	3.5%	4.3%	3.9%	4.6%	4.4%	5.2%	4.6%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has estimated the risk adjustment using a value-at-risk confidence level method to generally be in the range of the 75th to 80th percentile of the stochastically simulated results. This analysis has also been adjusted for correlation between different reserving segments, and the diversification between them.

5. Role of the actuary and auditor:

The actuary is appointed by the Board of Directors pursuant to the *Insurance Companies Act*. The actuary's responsibility is to carry out an annual valuation of the Company's insurance contract assets and liabilities, which consist of provisions for the liability for incurred claims (LIC) including the reinsurance equivalent (ALIC) and the liability for remaining coverage (LRC) as well as the reinsurance equivalent (ALRC). The valuation is made in accordance with accepted actuarial practice and regulatory requirements and reported thereon to the policyholders. The actual development of the liabilities will vary from the valuation and may, in fact, vary materially. Examination of supporting data for accuracy and completeness, and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion. The actuary, in this verification of the underlying data used in the valuation, also makes use of the work of the external auditor. The actuary's report outlines the scope of their work and opinion.

The external auditors have been appointed by the policyholders pursuant to the *Insurance Companies Act*. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the policyholders. In carrying out their audit, the auditors also make use of the work of the actuary and their report. The independent auditor's report outlines the scope of their audit and their opinion.

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

6. Financial Instruments:

The carrying amounts of the Company's financial assets are set out below.

December 31, 2024	Fair Value through Profit or Loss	Amortized cost	Total $
Investments			
Short-term fixed income pooled fund	$ 95,134	-	$ 95,134
Mortgages pension trust fund	14,539	-	14,539
Canadian equity fund	6,935	-	6,935
Global equity fund	21,135	-	21,135
Total investments	**137,743**	**-**	**137,743**
Cash and cash equivalents	-	17,498	17,498
Other assets	-	278	278
Total financial assets	**$ 137,743**	**$ 17,776**	**$ 155,519**
Accounts payable	-	3,763	3,763
Long-term debt	-	5,333	5,333
Total financial liabilities	**-**	**$ 9,096**	**$ 9,096**

December 31, 2023	Fair Value through Profit or Loss	Amortized cost	Total $
Investments			
Short-term fixed income pooled fund	$ 90,011	-	$ 90,011
Mortgages pension trust fund	13,875	-	13,875
Canadian equity fund	6,543	-	6,543
Global equity fund	19,567	-	19,567
Total investments	**129,996**	**-**	**129,996**
Cash and cash equivalents	-	8,414	8,414
Other assets	-	233	233
Total financial assets	**$ 129,996**	**$ 8,647**	**$ 138,643**
Accounts payable	-	2,481	2,481
Loan due on demand	-	5,438	5,438
Total financial liabilities	**-**	**$ 7,919**	**$ 7,919**

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

6. Financial Instruments (continued):

(a) Amounts recognized in profit or loss

During the year, the following gains/(losses) were recognized in profit or loss:

	2024	2023
Net investment income		
Interest income on short term investments	$ 494	$ 680
Fixed income distributions	4,137	3,591
Dividends	437	524
Gain on disposal	2,096	108
Investment income	7,164	4,903
Investment expenses	287	341
Total net investment income	$ 6,877	$ 4,562
Fair value gains		
Short-term fixed income	$ 1,720	$ 1,763
Mortgage pension fund	302	405
Canadian equities	1,099	418
Global equities	2,957	1,303
Total net investment fair value gains	$ 6,078	$ 3,889

No expected credit loss were recognized in 2024 (2023: nil).

(b) Risk exposure

Information about the Company's risk exposure is provided in note 16.

(c) Fixed income securities held in pooled funds by issuer

The breakdown of fixed income securities held in pooled funds by issuer at December 31 is shown in the following table:

	2024	2023
Bonds issued by:		
Federal	28.0%	27.7%
Provincial	2.8%	2.2%
Corporate		
A rated or higher	20.1%	20.8%
BBB rated or lower	22.9%	26.9%
Short-term investments (A rated or higher)	10.9%	7.9%
Mortgages		
Federal		
Other	15.3%	14.5%
Total	100.0%	100.0%

(in thousands of Canadian dollars)

6. Financial Instruments (continued):

(c) Fixed income securities held in pooled funds by issuer (continued)

Liquidity and interest rate risk:

	Effective yield	Duration
Short-term fixed income pooled fund	3.57%	2.7 years
Mortgage pension fund	4.62%	3.0 years

(d) Fair value measurements

The Company categorizes its investments that are carried at fair value on a recurring basis, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three level fair value hierarchy. Investments 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 market prices for similar assets or liabilities in active markets, valuation based on significant observable inputs or inputs derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes.

At December 31, 2024 and December 31, 2023 all of the Company's investments were categorized as level 2 investments. The fair value of financial instruments carried at amortized cost is approximately equal to the carrying values.

7. Insurance risk:

Like other insurance companies, the business activities of the Company expose it to a wide variety of risks. Effective risk management is vital to making sound business decisions, both strategically and operationally. It involves identifying and understanding the risks the Company is exposed to and taking measures to manage these risks within acceptable tolerances. Material risks are managed through a combination of board policy, management monitoring and other management practices.

Insurance risk is composed of underwriting, product pricing, product development, claims, catastrophe, and reinsurance. The majority of the underwriting risk the Company is exposed to is of a short-tail nature as the average duration of LIC is 1.4 years as at December 31, 2024 (1.3 years at December 31, 2023). Policies generally cover a twelve-month period.

Underwriting risk is the exposure to financial loss from the selection and approval of risks to be insured. All policy applications are underwritten by a trained underwriter to ensure the risk falls within acceptable quality standards. This process includes a review of each applicant's prior insurance and claims history. Underwriting guideline manuals, underwriting procedure manuals and rate manuals are used to maintain consistency. These manuals are updated on a regular basis. In addition, authority limits for accepting risk are utilized and the work in the underwriting area is self-assessed on a regular basis.

Product pricing risk is the risk associated with the failure to forecast claims experience resulting in inadequate premium rates. The Company's underwriting objective is to market products within a target market to achieve profitable underwriting results.

7. Insurance risk (continued):

Products are priced taking into account numerous factors including claims frequency and severity trends, market position and expense ratios. Market share will decrease if an appropriate price cannot be obtained. Product pricing risk is mitigated by regular underwriting reviews of product rate adequacy.

Product development risk is the risk associated with the failure to develop and maintain products to address changing market needs. The importance of including effective, up-to-date and modern products within the offerings of the Company is addressed within the business planning initiatives including corporate structure and project priorities set. Market share will decrease if appropriate and effective product offerings are not available.

Claims risk is the exposure to financial loss relating to the reserving and adjudication of claims due to inaccurate actuarial assumptions or ineffective claims adjudication practices and guidelines. The Company utilizes a combination of internal and external adjusters to adjust claims. Authority limits, based upon education and experience, are established. In addition, claims guidelines, bulletins and manuals are used to maintain consistency. The claims staff is well trained and work in the claims area is self-assessed on a regular basis. Year-end reserves for policy liabilities are subjected to analysis for adequacy by the appointed actuary, who is not an employee of the Company.

Catastrophic risk is the risk associated of incurring large-scale losses due to insurable events of high severity low frequency or to a combination of smaller events with higher claims frequency. In the normal course of business, the Company seeks to reduce loss arising from catastrophic or other events that cause unfavorable underwriting results by reinsuring certain levels of risk, in various areas of exposure, with other insurers. Reinsurance ceded does not relieve the Company of primary liability as the originating insurer and failure of reinsurers to honor their obligations could result in losses to the Company. Reinsurance risk is the risk of the reinsurance program being ineffective or unaffordable due to program design.

The Company follows the policy of underwriting and reinsuring through excess contracts of insurance which limit the liability of the Company. The Company's retention is $1 million (2023 - $1 million) in the event of a single loss.

Catastrophe events caused by such actions as wind, hail and sewer backup are events resulting in multiple property claims arising from a single occurrence with net incurred claims and adjusting expenses greater than $0.1 million (2023 - $0.1 million). These are an inherent risk of property and casualty insurance and contribute to material year-to-year fluctuations in the Company's results of operations and financial condition when they occur. The level of catastrophe loss experienced in any year cannot be predicted and could be material to the results of operations and financial position. The Company has catastrophe reinsurance with an upper limit of $70 million (2023 - $70 million) and which limits the Company's liability to $2 million (2023 - $2 million) in the event of multiple property claims arising from a single catastrophic event. The Company's catastrophe excess of loss reinsurance program is subject to a $2 million (2023 - $2 million) annual aggregate deductible in relation to catastrophe losses.

While there is no guarantee a catastrophe would not result in claims in excess of the maximum reinsurance coverage, management considers the level of protection prudent. Net loss experience from catastrophe events in 2024 amounted to $10.7 million (2023 - $3.2 million).

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

7. Insurance risk (continued):

Underwriting risk concentration

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance liability. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contract tranches.

Sensitivity analysis

Sensitivity analysis presents how reasonably possible changes in assumptions made by the Company with regard to underwriting risk variables impact profit or loss before and after risk mitigation by reinsurance contracts held. The Company is highly sensitive to the changes in expected loss, inflation and interest rate.

		Impact on earnings before tax		Impact on surplus	
		Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Expected loss	+5%	(3,529)	(2,857)	(2,626)	(2,126)
Inflation rate	+1%	(403)	(323)	(300)	(240)
Interest rate	+1%	1,019	867	758	645
Expected loss	-5%	3,529	2,857	2,626	2,126
Inflation rate	-1%	403	323	300	240
Interest rate	-1%	(1,067)	(910)	(794)	(677)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. No changes were made by the Company in the methods and assumptions used in preparing the above analysis.

Claim development:

The following tables present the development of claim payments and the estimated ultimate cost of claims for the claim years 2015 to 2024. The upper half of the table 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.

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

7. Insurance risk (continued):

Claim development (continued):

Gross claim development	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimate of ultimate claim costs											
At end of accident year	$ 38,467	$ 48,192	$ 43,543	$ 47,750	$ 41,111	$ 44,677	$ 48,642	$ 59,548	$ 54,172	$ 76,929	$ 503,031
One year later	37,715	46,060	41,656	48,102	40,932	42,766	48,269	60,521	50,918		416,939
Two years later	37,052	45,142	40,462	46,887	40,192	41,467	46,318	59,610			357,130
Three years later	36,298	45,003	40,864	46,963	40,228	41,827	46,323				297,506
Four years later	35,511	44,740	40,805	46,663	40,495	41,458					249,672
Five years later	35,392	44,869	41,110	45,732	40,713						207,816
Six years later	35,694	44,935	38,374	45,931							164,934
Seven years later	35,663	45,449	38,532								119,644
Eight years later	35,607	45,777									81,384
Nine years later	35,661										35,661
Current estimate of gross claims and other directly attributable expenses	35,661	45,777	38,532	45,931	40,713	41,458	46,323	59,610	50,918	76,929	481,852
Cumulative paid	35,397	44,849	38,132	44,726	38,593	40,723	43,540	53,366	41,791	32,453	413,570
Gross cumulative claims liabilities for the ten most recent accident years	264	928	400	1,205	2,120	735	2,783	6,244	9,127	44,476	68,282
Gross undiscounted claims liabilities for accident year 2014 and prior											2,872
Account receivable/payable											108
Effect of discounting											(4,147)
Effect of risk adjustment for non-financial risk											3,471
Gross LIC (Refer to note 8)											**$ 70,586**

The Company provides information on the gross and net claims development for the current reporting period and ten years prior to it. The Company considers that there is no significant uncertainty with regard to claims that were incurred more than 10 years before the reporting period.

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

7. Insurance risk (continued):

Claim development (continued):

Net claim development	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimate of ultimate claims costs											
At end of accident year	$ 31,269	$ 31,419	$ 36,190	$ 45,919	$ 39,849	$ 39,815	$ 46,200	$ 55,911	$ 51,949	$ 67,761	$ 446,282
One year later	30,626	30,388	34,859	46,206	39,700	38,374	45,358	56,351	49,619		371,481
Two years later	30,126	29,793	34,000	45,786	38,925	37,253	43,713	55,572			315,168
Three years later	29,459	29,674	34,313	45,937	38,965	37,562	43,778				259,688
Four years later	29,361	29,457	34,100	45,637	39,234	37,213					215,002
Five years later	29,263	29,574	34,193	44,783	39,465						177,278
Six years later	29,538	29,632	34,057	44,985							138,212
Seven years later	29,520	30,071	34,202								93,793
Eight years later	29,471	30,352									59,823
Nine years later	29,472										29,472
Current estimate of net ultimate loss	29,472	30,352	34,202	44,985	39,465	37,213	43,778	55,572	49,619	67,761	432,419
Cumulative paid	29,451	29,561	33,876	43,784	37,352	36,533	41,969	50,729	40,755	31,916	375,926
Net cumulative claims liabilities for the ten most recent accident years	21	791	326	1,201	2,113	680	1,809	4,843	8,864	35,845	56,493
Net cumulative claims liabilities for accident year 2013 and prior											1,561
Account receivable/payable											(354)
Effect of discounting											(3,436)
Effect of the risk adjustment for non-financial risk											2,867
Net LIC (Refer to note 8)											**$ 57,131**

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

8. Insurance contract issued and reinsurance contract held:

Total contracts

Reconciliation of insurance contracts issued – current period

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities as of January 1, 2024	**$ 24,171**	**-**	**$ 55,399**	**$ 2,798**	**$ 82,368**
Insurance revenue	(128,948)	-	-	-	(128,948)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	-	-	83,011	1,750	84,761
Amortization of insurance acquisition cash flows	42,091	-	-	-	42,091
Changes that relate to past service	-	-	(4,525)	(1,328)	(5,853)
Total insurance service expenses	42,091	-	78,486	422	120,999
Total gross insurance service result	**(86,857)**	**-**	**78,486**	**422**	**(7,949)**
Cash inflows/(outflows) in the period					
Premiums received	138,448	-	-	-	138,448
Insurance acquisition cash flows	(46,368)	-	-	-	(46,368)
Claims and other insurance service expenses paid	-	-	(71,839)	-	(71,839)
Net cash inflows/(outflows)	**92,080**	**-**	**(71,839)**	**-**	**20,241**
Insurance finance (income)/expense	-	-	5,069	251	5,320
Total changes not related to provision of insurance service	**-**	**-**	**5,069**	**251**	**5,320**
Insurance contract liabilities as of December 31, 2024	**$ 29,394**	**-**	**$ 67,115**	**$ 3,471**	**$ 99,980**

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

8. Insurance contract issued and reinsurance contract held (continued):

Total contracts (continued)

Reconciliation of insurance contracts issued – prior period

	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities as of January 1, 2023	**$ 22,928**	**-**	**$ 56,423**	**$ 2,657**	**$ 82,008**
Insurance revenue	(110,462)	-	-	-	(110,462)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	-	-	59,525	1,225	60,750
Amortization of insurance acquisition cash flows	34,446	-	-	-	34,446
Changes that relate to past service	-	-	(3,598)	(1,320)	(4,918)
Total insurance service expenses	34,446	-	55,927	(95)	90,278
Total gross insurance service result	**(76,016)**	**-**	**55,927**	**(95)**	**(20,184)**
Cash inflows/(outflows) in the period					
Premiums received	112,995	-	-	-	112,995
Insurance acquisition cash flows	(35,736)	-	-	-	(35,736)
Claims and other insurance service expenses paid	-	-	(61,018)	-	(61,018)
Net cash inflows/(outflows)	**77,259**	**-**	**(61,018)**	**-**	**16,241**
Insurance finance (income)/expense	-	-	4,067	236	4,303
Total changes not related to provision of insurance service	**-**	**-**	**4,067**	**236**	**4,303**
Insurance contract liabilities as of December 31, 2023	**$ 24,171**	**-**	**$ 55,399**	**$ 2,798**	**$ 82,368**

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

8. Insurance contract issued and reinsurance contract held:

Reconciliation reinsurance contracts held – current period

	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	Total
Reinsurance contract assets as of January 1, 2024	**$ 1,385**	**-**	**$ 9,073**	**$ 365**	**$ 10,823**
Reinsurance premiums	(11,267)	-	-	-	(11,267)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	-	-	9,578	374	9,952
Changes to recoveries of incurred claims that relate to past service	-	-	(4,418)	(168)	(4,586)
Total amounts recovered from reinsurance	-	-	5,160	206	5,366
Total reinsurance service result	**(11,267)**	**-**	**5,160**	**206**	**(5,901)**
Cash inflows/(outflows) in the period					
Reinsurance premiums paid	11,361	-	-	-	11,361
Amounts received under reinsurance contracts held	-	-	(2,147)	-	(2,147)
Net cash inflows/(outflows)	**11,361**	**-**	**(2,147)**	**-**	**9,214**
Reinsurance finance (income)/expense	-	-	765	33	798
Total changes not related to provision of reinsurance service	**-**	**-**	**765**	**33**	**798**
Reinsurance contract assets as of December 31, 2024	**$ 1,479**	**-**	**$ 12,851**	**$ 604**	**$ 14,934**

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

8. Insurance contract issued and reinsurance contract held (continued):

Reconciliation reinsurance contracts held – prior period

	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of future cash flows	Risk adjustment	Total
Reinsurance contract assets as of January 1, 2023	**$ 918**	**-**	**$ 13,068**	**$ 606**	**$ 14,592**
Reinsurance premiums	(9,859)	-	-	-	(9,859)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	-	-	4,475	114	4,589
Changes to recoveries of incurred claims that relate to past service	-	-	(4,841)	(388)	(5,229)
Total amounts recovered from reinsurance	-	-	(366)	(274)	(640)
Total reinsurance service result	**(9,859)**	**-**	**(366)**	**(274)**	**(10,499)**
Cash inflows/(outflows) in the period					
Reinsurance premiums paid	10,326	-	-	-	10,326
Amounts received under reinsurance contracts held	-	-	(4,374)	-	(4,374)
Net cash inflows/(outflows)	**10,326**	**-**	**(4,374)**	**-**	**5,952**
Reinsurance finance (income)/expense	-	-	745	33	778
Total changes not related to provision of reinsurance service	**-**	**-**	**745**	**33**	**778**
Reinsurance contract assets as of December 31, 2023	**$ 1,385**	**-**	**$ 9,073**	**$ 365**	**$ 10,823**

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

1. Property and equipment:

Cost		Land		Buildings and building components		Furniture and equipment		Computer hardware		Total
December 31, 2023	$	2,975	$	11,258	$	1,202	$	1,210	$	16,645
Additions		-		135		143		439		717
Disposals		-		-		-		-		-
December 31, 2024	$	2,975	$	11,393	$	1,345	$	1,649	$	17,362

Accumulated depreciation		Land		Buildings and building components		Furniture and equipment		Computer hardware		Total
December 31, 2023	$	-	$	363	$	447	$	751	$	1,561
Depreciation		-		312		235		523		1,070
Disposals		-		-		-		-		-
December 31, 2024	$	-	$	675	$	682	$	1,274		2,631

Net book value		Land		Buildings and building components		Furniture and equipment		Computer hardware		Total
December 31, 2023	$	2,975	$	10,895	$	755	$	459	$	15,084
December 31, 2024	$	2,975	$	10,718	$	663	$	375	$	14,731

2. Asset held for sale:

In September 2022, the Company moved into its new head office building and consequently, the unoccupied former head office building was reclassified as Asset held for sale. It is measured at its carrying value of $0.5 million, which is lower than the estimated fair value. It is probable the sale will be completed within the next two to three years.

3. Income taxes:

Income tax expense, including both the current and deferred portions, varies from the amounts that would be computed by applying the statutory federal and provincial tax rates aggregating 25.5% (2023 – 25.7%) to earnings before taxes. A reconciliation is summarized in the following table:

		2024		2023
Tax at basic rates	$	1,392	$	2,794
Increase (decrease) in taxes due to permanent differences and other		(77)		(131)
Income tax expense	$	1,315	$	2,663
Effective rate		25.5%		25.7%

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

11. Income taxes (continued):

Income tax expense is comprised of:

		2024		2023
Current tax expense	$	1,550	$	1,693
Deferred tax expense (recovery)		(235)		970
	$	1,315	$	2,663
Income tax recorded in other comprehensive income				
Net actuarial gains on employee future benefits	$	(12)	$	(188)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are presented below.

		2024		2023
Deferred tax assets:				
Donations	$	-	$	-
Insurance contract liabilities		16		-
		-		-
Deferred tax liabilities:				
Insurance contract liabilities		-		(328)
Employee future benefits		(1,064)		(1,094)
Non-financial assets		(1,044)		(917)
		(2,108)		(2,339)
Net deferred tax asset (liability)	$	(2,092)	$	(2,339)

The following changes have occurred in the net income taxes receivable (payable) during the year:

		2024		2023
Balance, January 1	$	(1,693)	$	1,587
Amounts recorded in net earnings		(1,550)		(1,693)
Net payments (refunds) during the period		3,472		(1,587)
Balance, December 31	$	229	$	(1,693)

The following changes have occurred in the net deferred tax asset (liability) during the year:

		2024		2023
Balance, January 1	$	(2,339)	$	(1,557)
Amounts recorded in net earnings		235		(970)
Amounts recorded in other comprehensive income		12		188
Balance, December 31	$	(2,092)	$	(2,339)

(in thousands of Canadian dollars)

12. Employee future benefits:

The Company provides certain pension and other future employee benefits through benefit plans to eligible participants upon retirement.

The pension plan is composed of defined contribution provisions as well as defined benefit pension provisions which were soft frozen effective June 30, 2014. The defined contribution pension provisions provide for matching employee contributions of 6.0% to the plan.

The defined benefit pension provisions define an amount of pension benefit a member will receive on retirement, dependent upon age, years of pensionable service and final average pensionable earnings. As at the date of the latest actuarial valuation, the breakdown of the defined benefit obligation is 35% in respect of active members and 66% in respect of pensioners, beneficiaries and deferred members.

The plan is registered under *The Income Tax Act* and *The Pension Benefits Act, 1992 (Saskatchewan)* and is administered by the Board of Directors of the Company. The defined benefit provision assets cannot be used for any purpose other than payment of pension benefits and related administrative fees.

The Company also offers employer-paid post-retirement benefit plans providing life insurance and sick leave benefits. These post-retirement benefit plans are unfunded.

The Company measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of December 31, 2023, and the next required valuation would be as of December 31, 2026. Information about the Company's defined benefit pension plan movements is as follows:

	2024	2023
Accrued benefit obligation		
Balance, January 1	$ 23,488	$ 20,900
Interest cost on benefit obligation	1,058	1,042
Benefit payments	(966)	(936)
Re-measurement recognized in other comprehensive income arising from changes in:		
financial assumptions	(334)	2,482
experience loss	(224)	-
Balance, December 31	$ 23,022	$ 23,488

Fair value of plan assets

	2024	2023
Balance, January 1	$ 27,662	$ 25,544
Interest income on plan assets	1,249	1,278
Re-measurement recognized in other comprehensive income return on plan assets	(611)	1,805
Benefits paid	(966)	(936)
Other	(65)	(29)
Balance, December 31	$ 27,269	$ 27,662

The actual return on pension plan assets for the year ended December 31, 2024 was a gain of $0.6 million (2023 – gain of $3.1 million).

(in thousands of Canadian dollars)

12. Employee future benefits (continued):

The following table shows the components of the net pension benefit asset (liability) shown on the statement of financial position.

	2024	2023
Accrued benefit obligation	$ (23,022)	$ (23,488)
Fair value of plan assets	27,269	27,662
Net pension benefit asset	$ 4,247	$ 4,174

The Company has determined, in accordance with the terms and conditions of the pension plan and in accordance with statutory requirements, including minimum funding requirements for the defined benefit pension provisions, the present value of reductions in future contributions is higher than the balance of the total fair value of the defined benefit provision plan assets less the total present value of the defined benefit pension obligations. As such, no decrease in the defined benefit asset was necessary at December 31, 2024.

The Company makes contributions under the defined benefit pension provisions to secure the benefits. The amount and timing of the Company's contributions are made in accordance with pension and tax legislation and on the advice of the Plan's actuary.

Based on the latest actuarial valuation of its pension plan as of December 31, 2023, both a solvency excess and going concern surplus existed, and accordingly, no payments were required in 2024.

At December 31, 2024, the weighted-average duration of the defined benefit pension obligation was 14.2 years (2023 – 15.0 years).

The following table summarizes the key assumptions used in measuring the Company's pension plan and related expenses:

Actuarial assumptions:	2024	2023
Discount rate	4.7%	4.6%
Rate on general salary increase	3.25%	3.25%
Inflation	2.00%	2.00%
Mortality	2014 Canadian Pensioner Mortality Table (Private sector) unadjusted	2014 Canadian Pensioner Mortality Table (Private sector) unadjusted
Average remaining service life of employees (in years)	10.7	12.6

The Company bears the risk of experience loss against the actuarial assumptions and credit risk associated with the defined benefit pension asset portfolio. Credit risk is managed through the pension plan investment policy which governs the types of investments that can be utilized in the pension plan.

(in thousands of Canadian dollars)

12. Employee future benefits (continued):

The table below shows the allocation of defined benefit pension assets as at December 31.

	2024	2023
Fixed income	84.4%	86.2%
Canadian equities	7.6%	7.0%
Global equities	8.0%	6.8%
	100.0%	100.0%

Employee defined benefit provisions expose the Company to actuarial risk, such as longevity risk, interest rate risk, inflation risk and market investment risk.

The ultimate cost of the defined benefit provisions to the Company will depend on future events rather than on the assumptions made. In general, the risk to the Company is that the assumptions underlying the disclosures or the calculation of contribution requirements are not borne out in practice and the cost to the Company is higher than expected. This could result in higher contributions required from the Company and a higher deficit disclosed.

Assumptions which may vary significantly include:

- The return on plan assets;
- Decrease in asset values not being matched by a similar decrease in the value of liabilities;
- Unanticipated future changes in mortality patterns leading to an increase in the defined benefit liabilities.

The defined benefit obligation is sensitive to the assumptions made about salary growth levels and inflation, as well as the assumptions made about life expectation. It is also sensitive to the discount rate, which depends on market yields on 'AA' corporate bonds.

A change at the reporting date to one of the relevant assumptions holding other assumptions constant, would impact the defined benefit obligations by the following amounts:

		Increase		Decrease
Discount rate (1% movement)	$	(2,898)	$	3,631
Inflation rate (1% movement)		2,562		(2,171)
Salary (1% movement)		340		(307)
Mortality (each member lives 1 year longer)		563		-

The other non-pension future benefits are unfunded with an obligation of $0.3 million (2023 - $0.3 million) and have been actuarially determined using the following assumptions:

	2024	2023
Discount rate	4.7%	4.6%
Rate of general salary increase	3.25%	3.25%
Inflation	2.00%	2.00%
Average remaining service life of employee (in years)	17.5 - 21.2	18.5 - 22.2

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

12. Employee future benefits (continued):

The Company's defined benefit pension provisions and other benefit plan costs are comprised of the following::

	Defined benefit pension provisions		Other benefit plans	
	2024	2023	2024	2023
Cost of benefits earned in the year	$ -	$ -	$ 21	$ 12
Net interest cost (income) on benefit	(191)	(236)	14	14
Other	65	29	-	-
Total benefit expense (recovery)	$ (126)	$ (207)	$ 35	$ 26

Contributions under the defined contribution provisions expensed in 2024 amounted to $0.5 million (2023 - $0.4 million).

Cumulative actuarial gains (losses) recognized through other comprehensive income are summarized as follows:

	Defined benefit pension provisions		Other benefit plans	
	2024	2023	2024	2023
Balance, January 1	$ (3,462)	$ (2,785)	$ (81)	$ (61)
Re-measurements related to:				
Actuarial gain (loss) from changes in:				
Demographic assumptions	-	-	-	-
Financial assumptions	334	(2,482)	7	(20)
Experience gain (loss)	224	-	-	-
Return on plan assets	(611)	1,805	-	-
Net actuarial gains recognized in other comprehensive income (loss)	$ (53)	$ (677)	$ 7	$ (20)
Balance, December 31	$ (3,515)	$ (3,462)	$ (74)	$ (81)

13. Intangible assets:

Cost	Computer software
December 31, 2023	$ 12,756
Additions	1,401
Disposals	-
December 31, 2024	$ 14,157

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

13. Intangible assets (continued):

Accumulated amortization		Computer software
December 31, 2023	$	8,165
Amortization		1,675
Disposals		-
December 31, 2024	$	9,840

Net book value		Computer software
December 31, 2023	$	4,591
December 31, 2024	$	4,317

14. Capital management:

The Company's primary capital management objective is to protect its policyholders by retaining sufficient capital to pay policyholder claims, facilitate corporate growth and expand product offerings. As a mutual organization, the Company's only source of capital is the retention of earnings as policyholders' surplus.

Effective capital management includes measures designated to maintain capital above regulatory levels and above internally determined and calculated risk management levels. For the purpose of capital management, the Company has defined capital as total policyholder surplus. Annually, the Board of Directors reviews and approves the Company's Enterprise Risk Management Policy, Capital Management Policy and Stress Testing Policy in conjunction with a review of the Company's internal capital target.

One measure used by the regulators to assess the financial strength of property and casualty insurers is the minimum capital test ("MCT"). 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. While the regulator has an established minimum MCT of 150%, the Board of Directors has set an internal target of 245% (2023 – 245%) which under normal circumstances the Company will operate in excess of. The MCT for the Company as of December 31, 2024 was 284% (2023 – 300%).

15. Long term debt:

On March 1, 2023, the TD demand loan for the construction of the new head office building was converted to a TD mortgage for $5.5 million. The mortgage has a fixed rate of 5.84% per annum for a rate term expiring March 1, 2026. The agreement represents obligations to make fixed monthly payments of over the next 25 years. As security for the loan, a general security agreement from the Company was made representing a first charge on all its present and after acquired personal property.

	2024	2023
Within 1 year	417	417
Between 1 to 5 years	1,668	1,668
Over 5 years	3,248	3,353
Balance, December 31	5,333	5,438

16. Financial risk management:

Overview

Like other insurance companies, the business activities of the Company expose the Company to the following risks from its use of financial instruments:

a. Market risk

b. Credit risk

c. Liquidity risk

Effective risk management is vital to making sound business decisions, both strategically and operationally. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management framework involves identifying and understanding the risks the Company is exposed to and taking measures to manage these risks within acceptable tolerances. Material risks are managed through a combination of board policy, management monitoring and other management practices.

The most significant financial risks are related to the Company's investments. The Company utilizes the prudent person approach to asset management as required by the Insurance Companies Act. An investment policy is in place and its application is monitored by the Audit & Finance Committee of the Board of Directors. The objective of the policy is to generate a reasonably stable level of income, maintain liquidity, maximize after-tax rates of return while minimizing the risk of capital loss and provide for capital growth while maintaining an acceptable level of risk tolerance. Diversification techniques are utilized to minimize risk.

Other significant financial instruments subject to financial risk include accounts receivable from policyholders and brokers and unpaid claims recoverable from reinsurers.

Market risk:

Market risk is the risk arising from potential changes in the market rates, prices or liquidity in various markets. Market factors include four sub-types of risk: interest rate risk, equity risk, currency risk and inflation risk.

Interest rate risk is related to changes in interest rates and their impact when durations of assets and liabilities are different. The Company is exposed to this risk through its interest bearing investments (described in note 6) and its insurance and reinsurance contract liabilities (described in note 8).

Investment policy and strategy are established in a broad sense to profile the ultimate claims settlement pattern by class of insurance using historical data and current information. 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.

The Company's investment policy establishes a minimum of 65% fixed income in the investment portfolio and recommends a target of 80% (2023 - 80%).

The Company is also exposed to interest rate risk. At December 31, 2024, a 1% move in interest rates, with all other variables held constant, could impact the market value of the fixed income portfolio by $3.0 million (2023 - $2.7 million). For securities the Company did not sell during the period, the change in market value would be recognized in the asset value and net earnings.

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.

16. Financial risk management (continued):

The Company's investment portfolio includes Canadian pooled fund units with fair values that move with the S&P/TSX Capped Composite Index and global pooled fund units that move with MSCI World Total Return Net 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 equity pooled funds of $2.9 million (2023 - $2.7 million). For securities the Company did not sell during the period, the change would be recognized in the asset value and net earnings.

The Company's investment policy limits equity investments to 26% of the total portfolio investment and recommends a target of 20% (2023 – 20%).

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

The Company's foreign exchange risk is related to its foreign equity pooled fund holdings. The Company's investment policy limits its holdings in foreign equity to 18% of total investments and recommends a target of 15%. A 1% change in the value of foreign currency would have a nominal effect on the fair value of these securities.

Actual asset allocations will vary, within the limits, based on the investment strategy within the portfolio.

Inflation risk is when realized inflation differs from the anticipated inflation which effects both liabilities and assets. At December 31, 2024, inflation driven increases in the cost of claims is consistent with the general economic environment. The impact of a change in inflation rate on the cost of claims can be found in note 7.

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

Credit risk:

Credit risk arises from the credit component embedded in market rates. It arises from a counterparty's potential inability or unwillingness to fully meet its on or off-balance sheet contractual obligations. The Company is primarily exposed to this risk through its investment portfolio and the reliance on reinsurers to make payment when certain loss conditions are met. Insurance and reinsurance contract assets are short-term in nature and are not subject to material 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. The fixed income investments remain high quality with 22.9% (2023 – 26.9%) of the securities held recorded BBB or lower. Refer to note 6 for a breakdown of the fixed income securities held by the pooled funds.

The policy for fixed income pooled funds limits the investment in any one corporate name, excluding any one Schedule 1 bank, to a maximum of 5% of the market value of the total fixed income portfolio. The maximum exposure to any one Schedule 1 bank is limited to 10% of the market value of the total fixed income portfolio.

The Company has guidelines and a review process in place to ascertain the credit worthiness of the reinsurance companies to which it cedes. At year end, all reinsurers on the 2024 program had a rating of no less than A- by both Standard & Poor's and A.M. Best. Risk is also reduced by having an adequate number of reinsurers on the program and by limiting their maximum participation in any one layer. There were no loss provisions in 2024 or 2023.

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

Notes to Financial Statements

(in thousands of Canadian dollars)
Year ended December 31, 2024

16. Financial risk management (continued):

Liquidity risk:

Liquidity risk is the risk 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 primarily arise as claims are made. The Company has no material commitments for capital expenditures and there is normally no need for such expenditures in the normal course of business.

Claim payments and debt repayments are funded by current operating cash flow including investment income which normally exceeds cash requirements. At December 31, 2024 the Company has sufficient liquidity to meet obligations as they become due.

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

The maturity profile of the Company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarized in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analyzed by their expected payment dates. If required, the net liquidity gap within 1 year will be managed using proceeds on investments, which have no withdrawal restrictions

	2024			
	Within 1 year	1 to 5 years	Over 5 years	Total
Financial assets				
Cash and cash equivalents	$ 17,498	$ -	$ -	$ 17,498
Investments	18,194	72,317	19,561	110,072
Income taxes receivable	229	-	-	229
	35,921	72,317	19,561	127,799
Insurance assets				
Reinsurance contract assets	10,659	3,991	391	15,041
Total assets	**$ 46,580**	**$ 76,308**	**$ 19,952**	**$ 142,840**
Financial liabilities				
Accounts payable and accrued liabilities	3,763	-	-	3,763
Long term debt	417	1,668	3,248	5,333
	4,180	1,668	3,248	9,096
Insurance liabilities				
Insurance contract liabilities	43,591	22,755	4,915	71,261
Total liabilities	**$ 47,771**	**$ 24,423**	**$ 8,163**	**$ 80,357**
Net liquidity gap	**$ (1,191)**	**$ 51,885**	**$ 11,789**	**$ 62,483**

(in thousands of Canadian dollars)
Year ended December 31, 2024

17. Expenses by nature

An analysis of the insurance service expenses incurred by the Company in the reporting period is included in the table below:

		2024		2023
Claims and benefits	$	78,909	$	55,831
Commissions		33,087		24,360
Salaries and employee benefits		7,538		5,982
Premium taxes and licenses		6,491		5,085
Information technology		2,292		1,825
Professional fees (other than legal)		1,174		1,145
Other expenses		4,732		4,015
Subtotal	$	134,223	$	98,243
Amounts attributed to insurance acquisition cash flows		(48,364)		(36,746)
Amortization of insurance acquisition cash flows		42,091		34,446
Total	$	127,950	$	95,943
Represented by:				
Insurance service expenses		120,999		90,278
General and operating expenses		6,951		5,665
Total	$	127,950	$	95,943

18. Related party transactions:

Compensation, which includes salaries, short-term employee benefits, retirement allowances and directors' fees for the Company's key management team and Board of Directors for the year ended December 31, 2024 was $3.2 million (2023 - $2.2 million).

Key management personnel and the Board of Directors can purchase insurance products offered by the Company in the normal course of business. The terms and conditions of such transactions are the same as those available to policyholders and employees of the Company. Premium amounts for 2024 were $55,000 and claims paid totaled $9,000 (2023 – $34,000 and $4,000).

The Company's transactions with post-employment plans comprise the contributions paid to the pension plan for all employees, which represent for the year ended December 31, 2024, $0.5 million (2023 – $0.4 million), of which $103,500 (2023 – $87,800) related to key management personnel.

As of December 31, 2024, the Company has a liability of $1.1 million related to bonuses and other amounts relating to compensation. (2023 – $0.4 million).

sandbox

mutual insurance

250 Willis Crescent, Saskatoon, SK S7T 0V2

800.667.3067 | sandbox.ca