THE MUTUAL FIRE
INSURANCE COMPANY
OF BRITISH COLUMBIA

ANNUAL REPORT 2023

TRUST AND PROTECTION FOR A SUSTAINABLE TOMORROW

COMPANY INFORMATION

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THE MUTUAL FIRE
INSURANCE COMPANY
OF BRITISH COLUMBIA

CONTENTS

OUR STORY

ABOUT US

Founded in 1902, Mutual Fire Insurance (MFI) was the first mutual insurance company headquartered in the province of British Columbia. The foundation of our company was built on the hard work and dedication of 44 local farmers and business owners in the Fraser Valley who wanted fire insurance at a reasonable cost. Today, we provide solutions for farm, commercial, and home insurance needs from British Columbia to Ontario with the support of our broker partners.

Mutual Fire Insurance is a stable and profitable mutual insurance company with a unique dual policyholder structure. Policyholders have the option of becoming a member and enjoying the benefits of their insurance policy. We take pride in providing peace of mind solutions and support in the communities we insure.

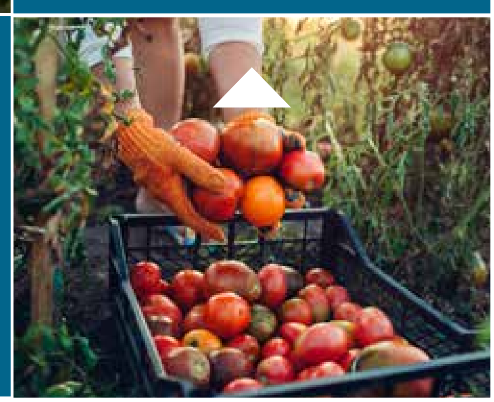
OUR MISSION, VISION, AND PURPOSE

Mutual Fire Insurance's decisions and behaviour are governed by our Mission, Vision, and Purpose. We live and breathe these statements in our daily operations to deliver the best service to our members and key partners.

MISSION
Custom Solutions with Unparalleled Service

PURPOSE
Trust and Protection For a Sustainable Tomorrow

VISION
Embracing Change to **PROTECT** You



OUR VALUES

COMMUNITY
Promote and support philanthropy and volunteerism.

EMPOWERMENT
Inspiring success.

HONOUR
Trust, through personal and professional integrity.

MUTUALITY
We work together to meet our common goals, unify relationships, and celebrate success.

PASSION
We believe in what we do.

THE MUTUAL ADVANTAGE

Mutual Fire Insurance is owned by its members, not shareholders and over the years, we have made people a priority and offered members great benefits for joining our community such as:

- Attending our Annual General Meeting and any Special Meetings
- Receive voting rights on resolutions that affect the company
- Nominate or accept a nomination to become a Director on the Board
- Have a say in the management of their insurance company

Today we are proud to acknowledge that our membership has grown to 2,431 members!* Thank you for your continued support!

AM BEST RATING

At the end of 2023, the independent rating agency AM Best reaffirmed the financial strength of The Mutual Fire Insurance Company of British Columbia with an A- (Excellent) rating for the 12th consecutive year.

This recognition provides confidence for our members and key partners as we drive our strategy forward. Together we stand firmly behind our values, placing policyholders first in a partner service approach to doing business.

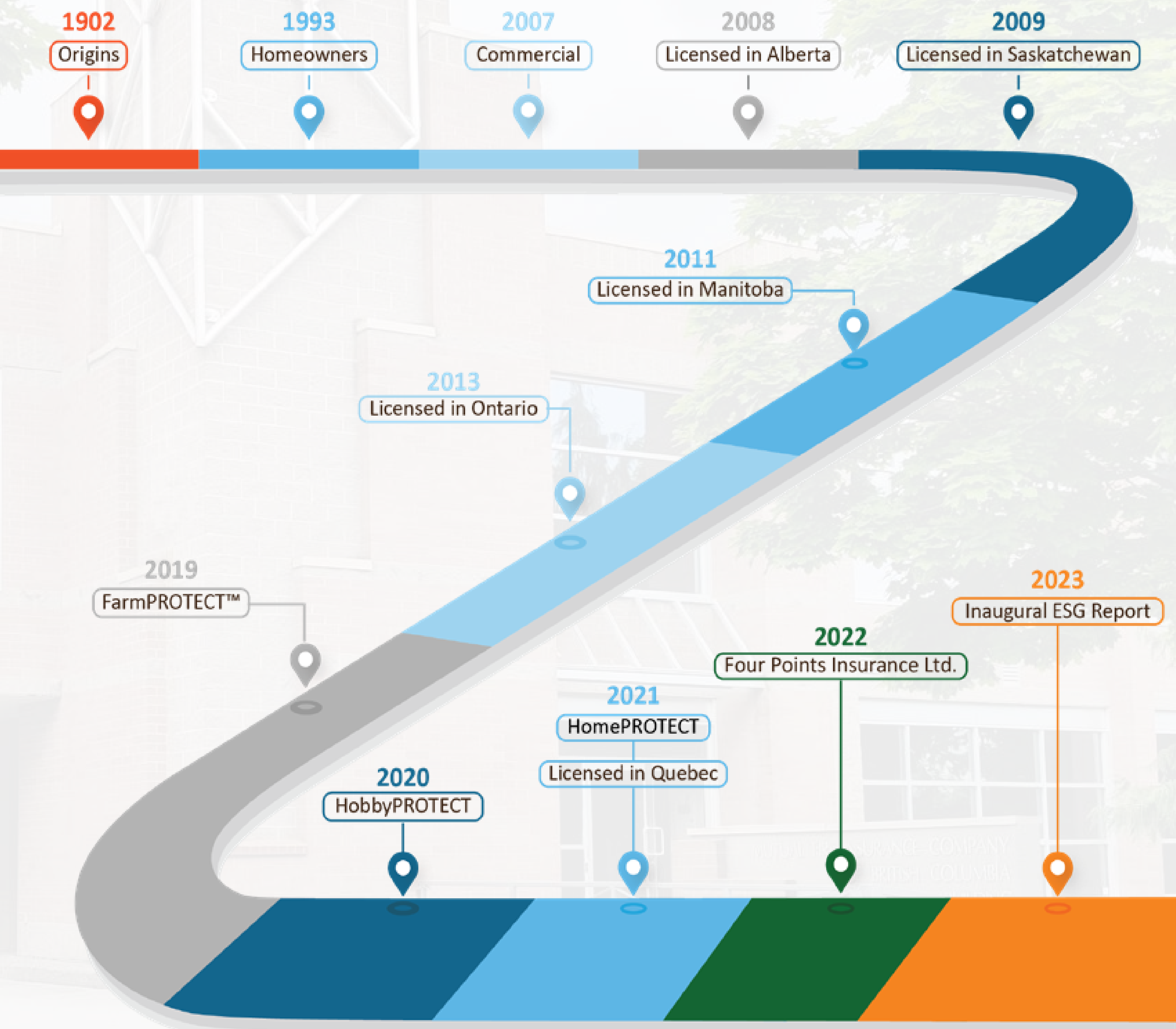
From the underwriting floor to the claims team to the leadership team, you will find helpful, approachable people who have a passion for insurance.

Financial Strength Rating
AM BEST
A- Excellent

*Number of members current to December 31, 2023

OUR TIMELINE

Mutual Fire Insurance has protected farm, home, and business owners since 1902. We work hard to provide you with competitive prices and prompt and fair claims service.



PERFORMANCE AT A GLANCE

"With managed growth diversifying risks to meet the challenges of emerging risks as well as diversifying investment to balance market swings our Company is prepared for the future"

A MESSAGE FROM THE CHAIR OF THE BOARD

MIKE BOSE

Culminating over the last few years, we have seen great transformation at Mutual Fire Insurance. Once a regional BC insurer, we are now a company that insures Canadians in six provinces with over 80 employees and counting. We formed a subsidiary in 2022, Four Points Insurance, which was born from the innovation of a committed leadership team, focusing on targeted commercial business under the same great leadership. During this magnificent growth and change, we kept mutuality at the heart of all we do—it is our strength and our lodestar.

The Company has been nominated as the Insurer of Choice in Canada, Insurance Employer of Choice, and received numerous awards based on our mutual culture and partner service levels. Additionally, our passionate staff members have deepened their education, obtaining FCIP, CIP, and other designations, ensuring our place as experts at what we do. These successes for the Company and its staff are a testament to senior management and the team that is Mutual Fire Insurance.

The Company has faced challenges as well. As the lock downs and safety measures of the COVID-19 pandemic lifted, assorted natural catastrophic events hit, which have been devastating to both the communities that we serve and costly to Mutual Fire Insurance. With the good work from management and staff, as well as our industry partners through Gallagher Re, we have done our part in making our policyholders whole again while continuing to generate positive returns for members.

Through the strength of our investment managers, MFI has continued adding to our reserves during some of the most difficult financial times in recent memory. With the guidance of Raymond James, BMO Financial, and our real estate partner Anthem Properties, we continue to see positive returns and growth. Thank you to all those partners mentioned, your guidance as we move through challenging times ensures the Company is financially sustainable.

Mutual Fire Insurance continues our legacy of good corporate citizenship with the efforts of our donations committee. The committee identifies needs in the communities we serve and ensures we do our part to help lift others. We are one of the first insurers in the world to adopt the Integrated Sustainable Development Goal (iSDG) calculator. This calculator tracks our efforts in fulfilling our commitment to help build more resilient communities; our goals are common and fluid, allowing us to break down walls and help those who need it most.

For a little insurer that started with 44 local farmers providing coverage where the "BIG CITY" insurers would not in 1902, Mutual Fire Insurance has come a long way. With managed growth diversifying risks to meet the challenges of emerging risks as well as diversifying investment to balance market swings our Company is prepared for the future.

On behalf of the Board, we thank senior management for their leadership and innovative ideas, staff for the hard work they do everyday, our broker partners for their support, and our members and policyholders for their continued confidence in Mutual Fire Insurance.

I thank the Boards of Directors for both MFI and Four Points Insurance for their engagement, support, and robust discussions over the past year.

Thank you to all in our mutual family.

Michael Bose

MICHAEL J. BOSE
on behalf of the Board of Directors

"Understanding our insureds' needs at the time of crisis and responding with coordinated immediacy is paramount to why we exist as a mutual insurer."

A MESSAGE FROM THE PRESIDENT AND CEO
DARIN LORD NESSEL

Through the commitment of an impassioned team, the oversight of two strong Boards, and embedded corporate policies supporting the growth and longevity we strive for, The Mutual Fire Insurance Company of British Columbia produced excellent results throughout 2023. The successful outcome at year-end was driven by consistent underwriting efforts, loss prevention measures, prompt and fair claims handling, and the strong decisions made by our investment committee with guidance from our professional investment partners.

The industry as a whole experienced a second consecutive year of insured catastrophic weather events, totaling in excess of $3 billion in Canada alone. Although we absorbed some loss, Mutual Fire Insurance did not utilize reinsurance for any catastrophic events for the second year in a row. This bodes extremely well for upcoming reinsurance negotiations in a tumultuous market, thus ensuring more affordable premium increases to our members and policyholders. In light of this, and as we look ahead, Mutual Fire Insurance will continue to shift our focus to an environment where prevention, as opposed to protection, is the cornerstone of our risk management priorities.

We witnessed trending themes in 2023 including an increase in secondary peril events, the ongoing talent gap, and rising claims costs.

As climate-related losses from secondary perils such as hail, wildfire, and flood become the norm across Canada, we will continue to develop effective risk-transfer solutions and accumulation management software to better manage such risks. We continue to align our organization's efforts with effective sustainability initiatives and operative Environmental, Social, and Governance (ESG) measures while we await the natural catastrophe and climate-related risks disclosure requirements to be introduced by the BC Financial Services Authority (BCFSA). This guidance, once received, will aid in assessing the financial impacts of climate-related risks and identifying opportunities. In addition, this year's annual general meeting will introduce our inaugural ESG and Sustainability Report.

The industry's talent gap continues to present a challenge. At Mutual Fire Insurance, we are using every resource at hand to manage the gap between open roles and qualified applicants. We encourage innovation amongst our teams and, with consistent mentoring, educational opportunities, and ongoing training initiatives throughout the Company, our internal talent pool is thriving. More recently than any other time in the Company's history, we are addressing the talent gap by identifying staff with strong leadership potential and promoting them into leadership roles. Further, we continue to provide robust training to our broker partners, sharing our knowledge, and helping customer facing partners provide the excellent service our members and policyholders know us for.

Mutual Fire Insurance experienced rapidly increasing claims costs this past year attributed to direct inflation, social inflation, and supply chain issues; and likely this will continue throughout 2024. Our talented and capable claims team navigated this environment with skill and compassion. There is no doubt they will be relied upon more than ever for their knowledge and expertise. In turn, they will rely upon technical experts and vendors to assess claims early, provide accurate evaluation, and deliver effective claims management throughout the entire process, thereby leading to successful settlements.

In an industry rife with turmoil, we look for consistency. I believe what will remain consistent is that unforeseen and unplanned events will continue to occur. Whether they be natural, manufactured, or cyber catastrophic events, or through inflation, pandemics, supply chain, and labour concerns, we will be impacted. As such, Mutual Fire Insurance perseveres through the implementation, training, and development of our disaster recovery plans. Understanding our insureds' needs at the time of crisis and responding with coordinated immediacy is paramount to why we exist as a mutual insurer. The ever-evolving mergers and acquisitions amongst our vendor and broker partners, reinsurance costs, and the ongoing threat of economic recession remain in our foresight as we plan for continued positive sustainable results.

With any adversity, comes the opportunity for success. It has been my pleasure to lead this organization through another exciting year. Our success could not be without the commitment to Mutual Fire Insurance from our members and policyholders – thank you for your trust and support. To our vendor and broker partners – thank you for your ongoing willingness to work in parallel with us by living our shared value of mutuality: working together to meet our common goals, unifying relationships, and celebrating success. To our staff and management, your dedication, honour, and passion in achieving our goals and driving growth keeps us moving forward together. And to our Board, I say thank you for your guidance and direction and inspiring success at every level of our Company.

DARIN LORD NESSEL
President and CEO

FINANCE REPORT

JASON CHRISTOPHERSON CPA, CGA,BAccS, ARe
CHIEF FINANCIAL OFFICER

At Mutual Fire Insurance, we believe being a mutual means serving a greater purpose. Our values, including integrity, provide a guide when members and policyholders turn to us to help them navigate insured losses which can be dramatic and challenging. We take this responsibility seriously and strive every day to provide compassion and service that exceeds expectations. A strong MFI ensures that we will always be beside our stakeholders, every step of the way.

2023 was a significant year from a financial perspective as insurance companies in Canada completed their transition to new reporting standards: International Financial Reporting Standards (IFRS) 17. In the updated standards, common terms such as "premiums written" and "underwriting income" are no longer used and have been replaced with terms like "insurance service revenue, expense, and results". There are numerous such requirements within IFRS 17, and I would like to take this moment to thank our Controller, Kiran Toor, for her excellent work navigating the transition with support from KPMG and our actuaries.

Our goal is to deliver sustainable growth and, to that end Mutual Fire Insurance has produced another strong fiscal year in 2023. Continued top line growth and strong earnings in what continues to be a difficult operating environment helped close the year out well. Insurance revenues grew from $217 million in 2022 to $256 million in 2023. A growth of 17.9% surpassing our strategic goal of 15%. Insurance service results were $17.6 million compared to $17.3 million in 2022. This was the result of increased reinsurance costs and reduced reinsurance recoveries over the past year. Our gross loss ratio was an incredible 38%. The lowest loss ratio in over ten years and nine points lower than 2022. Net income after tax for 2023 was $15.1 million, significantly higher than $3.4 million in 2022.

A significant portion of the rise in net income was the result of improved net investment income. Although interest rates continued to rise in the first half of 2023, the rates held steady through the latter half of the year. This rise in rates helped to improve investment results. 2023 saw the rebound of our equity investments and higher bond rates. As a result, net investment income improved to $12 million in 2023, compared to a loss of $5.2 million in 2022. Under new reporting standards, net investment income includes unrealized investment gains and losses. Unrealized gains improved to $7.3 million, versus a $9.1 million loss in 2022. A welcome end to the year, and good start to 2024.

Our performance and financial strength have enabled Mutual Fire Insurance to add to our member surplus. Further strengthening the Company as a leading mutual insurer in Canada.

The laser focused execution of our strategic plan continues to pay dividends. One key goal was to grow by 15%, maintain a gross loss ratio below 50%, and have a return of equity of 12%. With an actual return on equity of 18%, the Company far exceeded this goal. We will work hard to repeat this goal in the final two years of our plan.

The very nature of Mutual Fire Insurance involves taking risks. We remain committed to selecting risks that create and protect value for our members and stakeholders. We will not take risks that hurt our reputation or our brand, and that negatively impact our members, staff, and key partners. Our staff, management, and Board of Directors understand we are simply the current stewards of an organization with a long history and exciting future. We have a responsibility to preserve the integrity of Mutual Fire Insurance and ensure it remains strong for many years to come.

JASON CHRISTOPHERSON CPA, CGA,BAccS, ARe
Chief Financial Officer

2023 IN REVIEW

COMPANY PROFILE

OUR TEAM IN NUMBERS

80

AVERAGE LENGTH OF SERVICE (Years)

ALL EMPLOYEES	EXECUTIVE
6.1	11.3

EMPLOYEE DEMOGRAPHICS

21 MEN
26% OF OUR POPULATION

59 WOMEN
74% OF OUR POPULATION

67%

OF OUR EXECUTIVE TEAM IS FEMALE

EMPLOYEES BY AGE GROUP

25-30	31-40	41-50	51-60	61+
10	25	21	17	7

DEPARTMENT BREAKDOWN

ADMINISTRATION	3
BUSINESS DEVELOPMENT	6
CLAIMS	9
EXECUTIVE	6
FINANCE	5
INFORMATION TECHNOLOGY	9
UNDERWRITING	42

2023 AWARDS AND ACHIEVEMENTS

At Mutual Fire Insurance, we know that happy, satisfied, and fulfilled employees are the heart of our Company. We pride ourselves on creating an environment that encourages our staff to thrive so they have the tools to serve our broker network and policyholders more effectively.

In 2023, we continued with our popular hybrid work model, and brought connection to the workplace through quarterly townhalls and barbeques, staff events, and the efforts of our social committee.

These awards reflect our commitment to our employees, as well as their commitment to our broker partners and insureds.

- Insurance Business Canada – Top Insurance Employer
- Insurance Business Canada – Best Young Insurance Professional under 35, Candice Bergeron
- Human Resource Director Canada – 5 Star Benefit Program
- Human Resource Director Canada – 5 Star Diversity, Equity and Inclusion Employer
- HR Director Canada – Best Place to Work
- Canadian HR Reporter – 5 Star Diversity, Equity and Inclusion
- Canadian HR Reporter – Best Places to Work

Mutual Fire Insurance was also a finalist for the following awards in 2023

- Insurance Business Canada – P&C Insurer of the Year
- Insurance Business Canada – Underwriter of the Year, Joanne van Pelt

PARTNERSHIPS IN THE COMMUNITY

Corporate giving and volunteering are part of the fabric of Mutual Fire Insurance. Our staff members receive 15 hours of paid volunteer time to support a charity they are passionate about. We encourage them to share their experiences and inspire others to discover ways to give back. Over the years, we have partnered with brokers to donate to local charities like Food Banks and fundraisers to increase health awareness and disease prevention.

HAMBURGERS FOR HAMPERS

Hamburgers for Hampers is a social event that brought together our staff and their loved ones, as we introduce our committee and shed light on its mission to align with the United Nations Sustainable Development Goal 2: Zero Hunger.

With a turn out of 67 attendees, the committee successfully raised an impressive $1,348.78 to support the Hamper Program directed towards the Langley School District Foundation. This contribution enabled the support of an additional 18 hampers, furthering the committees' commitment to making a tangible impact on the communities fight against hunger. Beyond the excitement of raffles and inspirational speeches that ignite a sense of purpose for the attendees, what truly made the event special was a genuine sense of camaraderie and support from those who attended.

Pictured above: Sitha Trinh, Monica Niles, Brenda Parent, Joanne van Pelt, Cheryl Latchman and Jessica Mah from the Purpose Committee.

SPONSORSHIPS AND DONATIONS

Every year, Mutual Fire Insurance donates to charitable initiatives across Canada and abroad. We focus our charitable capacity on helping people and elect to partner with organizations that share the same vision.

2023 Notable Mentions:

- Joshua House, BC- $35,250
- Nicole Lapierre, Cancer Fundraiser, BC - $10,000
- Brogan's Diner, BC - $10,000
- Surrey Food Bank, BC- $5,000
- Homes for Heros, AB- $10,000
- Farming Smarter, AB- $10,000
- We Thrive, Canadian Farmers with Disabilities, SK - $5,000
- Valley Life Recreation, MB- $5,000
- Harvest Manitoba, MB- $5,000
- Cancer Patient Services, ON - $2,000

And so many more!

Plus, 900 hours of staff volunteer time spent in our communities!

Darin Lord Nessel, President and CEO presenting a $35,250 cheque to Owen Johnson of Joshua House.

BROKER OF THE YEAR AWARDS

Mutual Fire Insurance is proud to work with our broker partners. As part of our commitment to community initiatives, we grant awards each year to the top performing brokers in three categories: **Broker of the Year - British Columbia, Broker of the Year - Prairies, and Broker of the Year - Managing General Agent (MGA).** The prize for these awards is a $5,000 donation to the charity of choice for the winning brokerage.

There are three main criteria for determining the winners of this award, the broker must:

1. continue to increase volumes;
2. attain an excellent loss ratio; and
3. be knowledgeable, professional, and maintain and overall ease of doing business

Congratulations to our 2023 winning broker partners!

Broker of the Year - British Columbia

Hatton Insurance Agency Ltd. has been an incredible partner. We have worked with them for many years and their approach with clients so closely aligns with our Company Values. They have selected the Cowichan Trail Stewardship Society. This is a volunteer-run organization working to expand and enhance the trail networks in the Cowichan Valley Regional District.

Broker of the Year - Prairies

For the second year in a row, we are pleased to award Drayden Insurance Ltd. with Broker of the Year - Prairies. The team is a pleasure to work with and we look forward to growing together. They have selected Leduc & District Victim Services as their charity of choice, an incredible organization providing free support, information, and resources to victims of crime and trauma.

Broker of the Year - Managing General Agent

We award the Broker of the Year - Managing General Agent to our partner Vailo Insurance Services Ltd. They continue to grow exponentially while exhibiting an excellent loss ratio. They have selected the BC SPCA as their charity of choice, and it will go towards protecting and enhancing the quality of life for domestic, farm, and wild animals in British Columbia

OUR LEADERSHIP TEAM

2023 BOARD OF DIRECTORS

MIKE BOSE
Chair of the Board

SAM WIND CIP
Vice Chair

W.J (BILL) ADAMS CPA, CA
Treasurer

DAVID PRUIM CPA, CMA
Director

STEVE CZECK
Director

KEN HUTTEMA
Director

MICHAEL KENDLER
Director

2023 DIRECTOR COMMITTEES

	MEMBERS	RESPONSIBILITY
AUDIT COMMITTEE	❖ Bill Adams (Chair) ❖ Dave Pruim ❖ Ken Huttema ❖ Mike Bose	Assists the Board in fulfilling its oversight responsibilities with respect to corporate accounting procedures and fiducial responsibility.
CONDUCT REVIEW COMMITTEE	❖ Michael Kendler (Chair) ❖ Sam Wind ❖ Ken Huttema ❖ Mike Bose	Assists the Board in fulfilling its oversight responsibilities with respect to corporate governance, conduct, and board nominations.
ENTERPRISE RISK MANAGEMENT (ERM) COMMITTEE	❖ Dave Pruim (Chair) ❖ Steve Czeck ❖ Ken Huttema ❖ Mike Bose	Assists the Board in fulfilling its oversight responsibilities with respect to the identification and management of corporate risks through an Enterprise Risk Management (ERM) framework.
INVESTMENT COMMITTEE	❖ Sam Wind (Chair) ❖ Michael Kendler ❖ Dave Pruim ❖ Mike Bose	Assists the Board in fulfilling its oversight responsibilities with respect to corporate investments.
IT STEERING COMMITTEE (Combined MFI and FPI)	❖ Steve Czeck (Chair) ❖ Sam Wind ❖ Bill Adams ❖ Mary Martin ❖ Mike Bose	Assists the Board through articulating the strategic direction for Enterprise Information Technology Systems, Security, and related services.

OUR EXECUTIVE TEAM

DARIN LORD NESSEL
President and CEO

CLARE STEWART CIP
Chief Operations Officer

JASON CHRISTOPHERSON
CPA, CGA, BAccS, ARe
Chief Financial Officer

PAMALA LOUTTIT CIP
Vice President, Claims

NIRMAL BINNAG CIP
Vice President,
Underwriting

CHRISTINE YOUNG CIP
Vice President,
Business Development
and Marketing

OUR PATH FORWARD

FOUR POINTS INSURANCE COMPANY LTD.

Four Points Insurance was formed in 2022 to support small businesses through the many adjustments they must face now, and in the future.

Much like the long-standing heritage of the parent company, Mutual Fire Insurance, Four Points Insurance respects and values a stable, forward-thinking approach to writing commercial insurance while participating philanthropically in our communities. Built with a passion for customer service and risk management, Four Points Insurance offers business owners a suite of commercial insurance solutions for businesses in the following industries:

- Business and Professional Services
- Contractors
- Hospitality
- Manufacturing and Processing
- Realty
- Retail

OUR CULTURE

An important piece of the Four Points Strategic plan was to create our Vision, Mission, and Values. These inspiring statements clearly communicate the direction and values of Four Points Insurance, ensuring everyone is working towards common goals and objectives, providing a road-map to the future.

VISION
Inspire Trust. Deliver Satisfaction.

MISSION
Providing an invaluable insurance experience, every time.

VALUES
Accountability - Owning our impact.

Collaboration - We build and maintain strong relationships.

Passion - We believe in what we do.

Stability - Providing a solid foundation through our ethics, knowledge, and fairness.

AM BEST RATING

Four Points Insurance has been awarded an AM Best rating of A- (Excellent), for a second consecutive year.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Environmental, Social, and Governance, also referred to as (ESG) are pillars which will form an important piece of Mutual Fire Insurance and Four Points Insurance. From choosing investment partners, to the risk management approach of our underwriters, to ordering supplies for our office, sustainability factors will be considered in every aspect of our business.

ESG AND PURPOSE COMMITTEES

Mutual Fire Insurance understands the importance of managing the risks that affect our future sustainability. We also believe people are at the heart of our business and take pride in our outstanding work. Our ESG and Purpose Committees were established with the goal of embedding sustainability and responsible business practices, contributing to a positive impact in the communities we insure. Sustainability is the undertaking of activities that demonstrate forward-looking social, environmental, and ethical responsibility which is essential to our long-term success. Sustainable leadership is a business opportunity, a risk mitigant, and an essential aspect of our vision statement – Embracing Change to Protect You.

Mutual Fire Insurance is dedicated to integrating ESG factors through our operations and we focus on matters that are meaningful to our members, policyholders, employees, and stakeholders. We aim to lead by example and seek to drive change by focusing on key areas in each segment. To help deliver long-term value and clarity on our position, the ESG Committee created a comprehensive ESG policy that outlines environmental, social, and governance focus areas and commitments. As a mutual company, we recognize the need to go beyond our role of offering a product or service and develop programs that have a social and environmental impact. The first task of our purpose committee was to create Mutual Fire Insurance's Purpose Statement – "Trust and protection for a sustainable tomorrow." This statement articulates a clear, authentic, and long-term purpose – something that is true today, and that will guide the organization into the future.

To learn more about what Mutual Fire Insurance is doing to make an impact,review our inaugural ESG report.

BOARD OF DIRECTORS

MIKE BOSE
Chair of the Board

KEN HUTTEMA
Vice Chair

W.J (BILL) ADAMS CPA, CA
Treasurer

HANNE MADSEN
Director

MARY MARTIN
Director

MICHAEL CHANG
Director

ROBERT (BOB) PARK
Director

ROB STUTT
Director

2023 DIRECTOR COMMITTEES

	MEMBERS	RESPONSIBILITY
AUDIT COMMITTEE	❖ Michael Chang (Chair) ❖ Bill Adams ❖ Ken Huttema ❖ Rob Stutt ❖ Mike Bose	Assists the Board in fulfilling its oversight responsibilities with respect to corporate accounting procedures and fiducial responsibility.
CONDUCT REVIEW COMMITTEE	❖ Ken Huttema (Chair) ❖ Mary Martin ❖ Rob Stutt ❖ Hanne Madsen ❖ Mike Bose	Assists the Board in fulfilling its oversight responsibilities with respect to corporate governance, conduct, and board nominations.
ENTERPRISE RISK MANAGEMENT (ERM) COMMITTEE	❖ Robert (Bob) Park (Chair) ❖ Mike Bose ❖ Hanne Madsen	Assists the Board in fulfilling its oversight responsibilities with respect to the identification and management of corporate risks through an Enterprise Risk Management (ERM) framework.
INVESTMENT COMMITTEE	❖ Mike Bose (Chair) ❖ Robert (Bob) Park ❖ Michael Chang ❖ Jason Christopherson	Assists the Board in fulfilling its oversight responsibilities with respect to corporate investments.
IT STEERING COMMITTEE (Combined FPI and MFI)	❖ Steve Czeck (Chair) ❖ Sam Wind ❖ Bill Adams ❖ Mary Martin ❖ Mike Bose	Assists the Board through articulating the strategic direction for Enterprise Information Technology Systems, Security, and related services.

FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT

The financial statements are the responsibility of management and have been prepared in conformity with International Financial Report Standards including the accounting requirements of the Insurance Act of British Columbia and the Financial Institutions Act. In the opinion of management, the financial statements fairly reflect the financial position, results of operations and cash flows of The Mutual Fire Insurance Company of British Columbia within reasonable bounds of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy of operation of the control systems is monitored on an ongoing basis by management.

The Board of Directors is responsible for approving the financial statements. It has established an Audit Committee, comprised of directors who are neither officers nor employees of the Company who meet with management, the actuary and external auditors, all of whom have unrestricted access and the opportunity to have private meetings with the Audit Committee, to review the financial statements. The Audit Committee then submits its report to the Board of Directors recommending approval of the financial statements. The Financial Institutions Commission makes a biannual examination and inquiry into the affairs of the Company as deemed necessary to ensure that the Company is in sound financial condition and that the interests of the policyholders are protected under the provisions of the Insurance Act of British Columbia and the Financial Institutions Act.

The actuary has been appointed by the Board of Directors. The actuary is required to carry out a valuation of the policy liabilities recorded by the Company in its financial statements and report thereon to the shareholder. Policy liabilities consist of the provisions for and reinsurance recovery of unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation, and future obligations on the unearned portion of insurance policies in force, including deferred policy acquisition costs. The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any direction that may be made by regulatory authorities. The actuary, in their verification of the management information provided by the Company used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of their work and opinion.

The Company's external auditors have been appointed by the members to conduct an independent and objective audit of the financial statements of the Company in accordance with Canadian generally accepted auditing standards and report thereon to the members. In carrying out their audit, the auditors also make use of the actuary and his report on the Company's policy liabilities. The auditor's report outlines the scope of their audit and their opinion.

DARIN LORD NESSEL
President and CEO

JASON CHRISTOPHERSON CPA, CGA, BAccS, ARe
Chief Financial Officer

REPORT OF THE ACTUARY

RSM Canada
Actuarial Consulting
11 King Street W., Suite 700, Box 27
Toronto, ON M5H 4C7
Canada

DESCRIPTION OF THE ACTUARY'S ROLE

The actuary is appointed by the Board of Directors of The Mutual Fire Insurance Company of British Columbia pursuant to the Insurance Act. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policyholder liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. The actuary is also required to provide an opinion regarding the appropriateness of the policyholder liabilities at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and consideration of the Company's assets are important elements of the work required to form this opinion.

Policyholder liabilities include liabilities for incurred claims, liabilities for remaining coverage, loss component, assets for incurred claims, assets for remaining coverage and loss-recovery component. The actuary uses the work of the external auditors in verifying data used for valuation purposes.

APPOINTED ACTUARY'S REPORT

To the Members of The Mutual Fire Insurance Company of British Columbia

I have valued the policy liabilities of The Mutual Fire Insurance Company of British Columbia for its financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2023.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the financial statements fairly present the results of the valuation.

David Mamane
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 22, 2024

INDEPENDENT AUDITOR'S REPORT

KPMG LLP
PO Box 10426
777 Dunsmuir Street
Vancouver, BC V7Y 1K3
Canada

To the Members of The Mutual Fire Insurance Company of British Columbia

Opinion

We have audited the consolidated financial statements of The Mutual Fire Insurance Company of British Columbia (the "Company"), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in members' surplus and reserves for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Changes in Accounting Policies and Comparative information

We draw your attention to Note 3 to the financial statements, which explains the adjustment of retained earnings as at January 1, 2023 as a result of a full retrospective adoption of a change in accounting policy with cumulative impact with respect to IFRS 9.

We also draw attention to Note 3 to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 17:

- as at and for the year ended December 31, 2022 has been adjusted
- as at January 1, 2022 has been derived from the financial statements for the year ended December 31, 2021 which have been adjusted (not presented herein).

Note 3 explains the reason for the adjustments.

Our opinion is not modified in respect of these matters.

Other Matter – Changes in Accounting Policies and Comparative information

As part of our audit of the financial statements for the year ended December 31, 2023, we audited the adjustments that were applied to retained earnings as at January 1, 2023.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to adjust certain comparative information presented:

- as at and for the year ended December 31, 2022
- as at January 1, 2022

In our opinion, such adjustments are appropriate and have been properly applied.

Other information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the annual report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
February 22, 2024

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars)

AND INDEPENDENT AUDITOR'S REPORT THEREON

YEAR ENDED DECEMBER 31, 2023

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

	Notes	December 31, 2023	December 31, 2022	January 1, 2022
			(Restated - Note 3)	(Restated - Note 3)
Assets				
Cash and cash equivalents		$ 36,164	$ 29,872	$ 34,998
Investments	6,7	147,736	117,771	105,450
Accrued investment income		993	769	539
Reinsurance contract assets	8	72,758	71,975	82,194
Current tax assets	14	-	2,373	-
Deferred income tax assets	14	239	94	
Prepaid expense		237	-	-
Property and equipment	9	1,677	1,748	1,799
Intangible assets	10	365	355	407
		$ 260,169	$ 224,957	$ 225,387
Liabilities and Members' Surplus and Reserves				
Amounts payable and accrued liabilities	11	$ 5,940	$ 5,399	$ 5,468
Premium tax liabilities		3,251	2,882	1,934
Income tax payable	14	3,421	99	3,118
Deferred income tax liabilities		-	-	506
Insurance contract liabilities	8	155,989	140,137	141,342
		168,601	148,517	152,368
Members' surplus and reserves:				
Reserves	12	750	750	500
Unappropriated members' surplus		90,818	75,690	72,519
		91,568	76,440	73,019
		$ 260,169	$ 224,957	$ 225,387

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director

Director

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Comprehensive Income
(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
			(Restated - Note 3)
Insurance revenue		$ 256,630	$ 216,908
Insurance service expenses	8	(186,413)	(174,275)
Insurance service result before reinsurance contracts held		70,217	42,633
Net expense from reinsurance contracts held		(52,606)	(25,269)
Insurance service result		17,611	17,364
Net investment income (expense)	13	12,022	(5,215)
Insurance finance expenses for insurance contracts issued		(5,652)	476
Reinsurance finance income for reinsurance contracts held		4,431	(311)
Net financial insurance results		(1,221)	165
Other income and expense		(8,359)	(7,892)
Income before income tax expense		20,053	4,422
Income tax expense (recovery):	14		
Current		5,070	1,601
Deferred		(145)	(600)
		4,925	1,001
Net income and comprehensive income		$ 15,128	$ 3,421

See accompanying notes to consolidated financial statements.

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Changes in Members' Surplus and Reserves
(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	Notes	Reserves	Accumulated other comprehensive income	Unappropriated members' surplus	Total members' surplus and reserves
Balance, January 1, 2022, as previously reported		$ 500	$ 14,144	$ 56,385	$ 71,029
Impact of initial application of IFRS 17	3	-	-	16,134	16,134
Impact of initial application of IFRS 9	3	-	(14,144)	-	(14,144)
Restated balance January 1, 2022		500	-	72,519	73,019
Net income		-	-	3,421	3,421
Increase in reserve		250	-	(250)	-
Restated balance December 31, 2022		750	-	75,690	76,440
Net income		-	-	15,128	15,128
Balance, December 31, 2023		$ 750	$ -	$ 90,818	$ 91,568

See accompanying notes to consolidated financial statements.

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Consolidated Statement of Cash Flows
(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023	2022 (Restated - Note 3
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 15,128	$ 3,421
Adjustments for:		
Depreciation and amortization expense	269	247
Change in reserves	-	250
Deferred tax expense (recovery)	(145)	(600)
Interest and dividend income	(4,602)	(3,122)
Current tax expense	5,070	1,601
Realized gain on investments	(503)	(1,169)
Change in unrealized (gain) or loss on investments	(7,297)	9,163
	7,920	9,791
Changes in non-cash operating working capital:		
Reinsurance contract assets	(783)	10,219
Insurance contract liabilities	15,852	(1,206)
Amounts payable and accrued liabilities	539	(67)
Prepaid expenses	(237)	-
Premium tax liabilities	369	949
	23,660	19,686
Interest received	4,727	2,939
Income tax refund	(2,077)	(6,405)
Taxes paid	2,668	-
Net cash flows provided by operating activities	28,978	16,220
Investing activities:		
Purchase of investments	(39,906)	(39,225)
Proceeds on sale of investments	17,430	18,034
Purchase of property and equipment	(65)	(82)
Purchase of intangible assets	(145)	(61)
Net cash flows used in investing activities	(22,686)	(21,334)
Financing activities:		
Drawdown from loan facility for executive's vehicle	-	(12)
Net cash flows used in financing activities	-	(12)
Increase (decrease) in cash and cash equivalents	6,292	(5,126)
Cash and cash equivalents, beginning of year	29,872	34,998
Cash and cash equivalents, end of year	$ 36,164	$ 29,872
Cash and cash equivalents comprised of:		
Cash	$ 26,792	$ 21,971
Cash equivalents	9,372	7,901
	$ 36,164	$ 29,872

See accompanying notes to consolidated financial statements.

1. General information:

The Mutual Fire Insurance Company of British Columbia (the "Company") was incorporated without share capital on July 18, 1902 under the Mutual Fire Insurance Companies Act of British Columbia as a mutual insurance company that is domiciled in Canada. It is licensed to write property and casualty insurance in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario and is subject to the Insurance Act and the Financial Institutions Act of British Columbia, the Insurance Act of Alberta, the Saskatchewan Insurance Act, the Insurance Act of Manitoba, the Insurance Act of Ontario, and the Act Respecting Insurance in Quebec.

The Company has a wholly-owned subsidiary, Four Points Insurance Company Ltd., which has received authorization to underwrite property and casualty insurance in British Columbia, Ontario, Alberta, Saskatchewan, and Manitoba.

The registered office of the Company is located at 9366 - 200A Street, Langley, British Columbia, V1M 4B3.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). These consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2024.

(b) Functional and presentation currency:

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

(c) Use of estimates and judgments:

The preparation of these consolidated financial statements, in conformity with IFRS Accounting Standards, 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas of significant estimation in these consolidated financial statements are in respect to the provision for insurance contract liabilities and the valuation of private investments. Further information over these estimates are included in notes 8 and 18, respectively.

3. Changes in material accounting policies:

The Company has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from January 1, 2023. IFRS 17, *Insurance Contracts* replaces IFRS 4, *Insurance Contracts* for annual periods on or after January 1, 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has restated certain comparative amounts and presented a third statement of financial position as at January 1, 2022.

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 4 to all periods presented in these consolidated financial statements.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarized below.

(a) IFRS 17, *Insurance Contracts:*

(*i*) Changes to classification and measurement:

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach ("PAA"). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

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

- The liability for remaining coverage reflects premiums received less amounts recognized in revenue for insurance services provided.
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12-months apart.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported ("IBNR") claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company's obligation to pay other incurred insurance expenses.

3. Changes in material accounting policies (continued):

(a) IFRS 17, *Insurance Contracts* (continued):

(i) Changes to classification and measurement (continued):

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Previously, all acquisition costs were recognized and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in comprehensive income (loss). Under IFRS 17, the Company defers its insurance acquisition cash flows.

(ii) Changes to presentation and disclosure:

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

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

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the statement of comprehensive income (loss) have been changed significantly compared with the previous year. Previously, the Company reported the following line items:

- Gross written premiums;
- Net written premiums;
- Changes in unearned premiums;
- Claims and adjustment expenses; and
- Commissions.

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue;
- Insurance service expenses;
- Insurance finance income or expenses; and
- Income or expenses from reinsurance contracts held.

3. Changes in material accounting policies (continued):

(a) IFRS 17, *Insurance Contracts* (continued):

(*ii*) Changes to presentation and disclosure:

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognized in its financial statements from insurance contracts; and
- Significant judgements, and changes in those judgements, when applying the standard.
- Nature and extent of risks from contracts within the scope of IFRS 17

(*iii*) Transition:

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. On transition date, January 1, 2023, the Company:

- Identified, recognized and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has adjusted any unamortized insurance acquisition cash flows to reflect the Company's IFRS 17 application choice.
- Derecognized any existing balances that would not exist had IFRS 17 always applied.
- Recognized any resulting net difference in equity.

(b) IFRS 9, *Financial Instruments:*

The Company has adopted IFRS 9, *Financial Instruments* with a date of initial application of January 1, 2023. The requirements of IFRS 9 represent a significant change from IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The Company does not apply hedge accounting.

The adoption of IFRS 9 has been applied retrospectively. The nature and effects of the key changes to the Company's accounting policy are summarized below.

(*i*) Classification and measurement of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities, The Company may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(Expressed in thousands of dollars)

3. Changes in material accounting policies (continued):

(b) IFRS 9, *Financial Instruments (continued)*:

(*ii*) Effect of initial application:

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2022.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasurement	New carrying amount under IFRS 9
Financial assets:					
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 34,998	$ -	$ 34,998
Accrued investment income	Loans and receivables	Amortized cost	539	-	539
Equity Investments	Available-for-sale	FVTPL	52,027	-	52,027
Debt Investments	Held-to-maturity	FVTPL	51,036	(113)	50,923
Promissory Note	Held-to-maturity	FVTPL	2,500	-	2,500
Financial liabilities:					
Amounts payable and accrued liabilities	Other financial liabilities	Amortized cost	5,468	-	5,468

Under IAS 39, investments in equity instruments and pooled funds were classified as available-for-sale financial assets and all fixed income securities were classified as held-to-maturity.

Under IFRS 9, for the equity investments, these assets are mandatorily measured at FVTPL because they do not give rise to cash flows that are solely payment of principal and interest, and the election was not made to measure them at FVOCI. For the debt investments, portfolios of these assets are mandatorily measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. Changes in material accounting policies (continued):

(b) IFRS 9, *Financial Instruments (continued)*:

(*iii*) Impairment of financial assets:

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. As the Company measures its investments at FVTPL and holds only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact the Company.

(iv) Hedge accounting:

The Company has not applied hedge accounting under either IAS 39 or IFRS 9. Therefore, the hedge accounting requirements under the new standard do not impact these consolidated financial statements.

(c) IAS 1, Accounting Changes:

Effective January 1, 2023, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in Note 4 in certain instances.

4. Material accounting policies:

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

(a) Basis of consolidation:

Subsidiary undertakings are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. The subsidiary which is consolidated in these consolidated financial statements is Four Points Insurance Company Ltd., which is wholly-owned by the Company.

4. Material accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and demand deposits with original maturities of three months or less.

(c) Financial instruments:

(*i*) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, FVOCI or FVTPL. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Company may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

4. Material accounting policies (continued):

(c) Financial instruments (continued):

(*i*) Recognition and measurement (continued):

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 on the first day of the first reporting period following the change in the business model.

The Company has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Company may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(*ii*) Fair value through profit or loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Company's investments are classified as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Company's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and financial liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or financial liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or financial liability.

4. Material accounting policies (continued):

(c) Financial instruments (continued):

(*iii*) Amortized cost:

Financial assets and financial liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Company classifies cash and cash equivalents, accrued investment income, and amounts and payable and accrued liabilities as amortized cost.

(d) Property and equipment:

(*i*) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Purchased software, that is integral to the functionality of the related equipment, is capitalized as part of that equipment.

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.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss.

(*ii*) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income using the declining balance method over the estimated useful lives of each part of items of property and equipment, depending on which method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The estimated useful lives for the current and comparative periods are as follows:

Asset	Basis	Rate
Buildings and building components	Declining balance	4% to 20%
Furniture, fittings and computer equipment	Declining balance	20%
Vehicles	Declining balance	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4. Material accounting policies (continued):

(e) Intangible assets:

(*i*) Computer software licences:

Computer software licenses, acquired by the Company, that are not considered integral to the related computer hardware and that have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(*ii*) Amortization:

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in net income on a straight-line basis over the estimated useful lives of five years, from the date that the asset is available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

(f) Recognition and measurement of insurance contracts:

Contracts which the Company accepts significant insurance risk from another party (the “policyholder”) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the “insured event”) adversely affects the policyholder or other beneficiaries are classified as insurance contracts. Insurance risk arises when the Company agrees to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Insurance risk is significant, if and only if, an insured event could cause the Company to pay significant additional benefits. The contracts issued are short-term casualty and property insurance contracts.

Casualty insurance contracts protect the Company’s customers 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 for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (“public liability”).

Property insurance contracts mainly compensate the Company’s customers for damages suffered to their property or for the value of property loss through fire, windstorm, earthquake, etc.

(*i*) Separating components from insurance and reinsurance contracts:

The Company assesses its insurance contracts to determine whether they contain distinct components which must be accounted for separately from the insurance component. After separating any distinct components, the Company accounts for the remaining components of the host insurance contract. Currently, the Company’s products do not include any distinct components that require separation.

4. Material accounting policies (continued):

(f) Recognition and measurement of insurance contracts(continued):

(ii) Aggregation and recognition of insurance and reinsurance contracts:

Insurance contracts:

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (*i.e.*, by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- Any contracts that are onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

The Company aggregates insurance contracts into the following portfolio of contracts on the basis that each portfolio group is subject to similar risks that are managed together: property.

Within this portfolio, the Company has not identified any onerous contracts or any contracts that have the possibility of becoming onerous subsequently.

An insurance contract issued by the Company is recognized from the earliest of:

- The beginning of its coverage period of the group of contracts;
- When the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- When facts and circumstances indicate that the contract is onerous.

When the contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

4. Material accounting policies (continued):

(f) Recognition and measurement of insurance contracts(continued):

(*ii*) Aggregation and recognition of insurance and reinsurance contracts(continued):

Reinsurance contracts:

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. All of the Company's reinsurance contracts held fall within a single portfolio grouping.

Reinsurance contracts are recognized from the earliest of:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognizes an onerous group of underlying insurance contracts where the related reinsurance contract was entered into before that date.

(*iii*) Insurance acquisition cash flows:

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

The Company defers insurance acquisition cash flows for all product lines over the contract boundary. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis. Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognized in the statement of financial position, a separate asset for insurance acquisition cash flows is recognized for each related group.

(*iv*) Contract boundaries:

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance contracts:

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums or has a substantive obligation to provide the policyholder with insurance contract services.

4. Material accounting policies (continued):

(f) Recognition and measurement of insurance contracts (continued):

(*iv*) Contract boundaries (continued):

Insurance contracts (continued):

A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- The Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.

Reinsurance contracts:

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive obligation to receive services from the reinsurer ends when the reinsurer:

- Has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- Has a substantive right to terminate the coverage.

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

(*v*) Measurement:

Insurance contracts:

The Company applies the PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, 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 and deferred insurance acquisition cash flows; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

4. Material accounting policies (continued):

(f) Recognition and measurement of insurance contracts (continued):

(*v*) Measurement (continued):

Insurance contracts (continued):

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

- The extent of future cash flows related to any derivatives embedded in the contracts; and
- The length of the coverage period of the group of contracts.

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

- The premiums, if any, received at initial recognition; 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 including deferred acquisition cash flows.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognized as insurance revenue for services provided. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognizes a loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Company recognizes the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The fulfillment cash flows incorporate, in an unbiased way, all reasonable and supportable information available about the amount, timing and uncertainty of those further cash flows from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment). The future cash flows are discounted (at current rates) unless they are expected to be paid in one year or less form the date the claims are incurred.

4. Material accounting policies (continued):

(f) Recognition and measurement of insurance contracts (continued):

(*v*) Measurement (continued):

Reinsurance contracts:

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, adapted where necessary to reflect features that differ from those of insurance contracts issued.

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for the group of reinsurance contracts held depicting the recovery of losses.

(*vi*) Derecognition and contract modification:

The Company derecognizes a contract when it is extinguished – *i.e.*, when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

(*vii*) Presentation:

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognized for cash flows arising before the recognition of the related group of contracts are included in the carrying amount of the related portfolios of contracts.

The Company disaggregates amounts recognized in the statement of comprehensive income (loss) into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts.

The Company does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

4. Material accounting policies (continued):

(f) Recognition and measurement of insurance contracts (continued):

(*vii*) Presentation (continued):

Insurance revenue and insurance service expenses are measured as follows.

Insurance revenue:

Insurance revenue for each period is measured based on the amount of expected premium receipts for providing services in the period. The Company allocates the expected premium receipts to each period based on the passage of time.

Insurance service expenses:

Insurance service expenses arising from insurance contracts are recognized in comprehensive income (loss) generally as they are incurred and comprise the following items:

- Incurred claims and other insurance service expenses; and
- Losses on onerous contracts and reversals of such losses;

Net income or expense from reinsurance contracts held:

The Company recognizes an allocation of reinsurance premiums paid in comprehensive income (loss) as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

The Company does not separately present on the face of the consolidated statement of comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

Insurance finance income and expenses:

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

(g) Reserves:

Reserves are made as required by the regulatory authorities in Canada. Increases or decreases during the year are charged to a separate category of members' surplus and reserves as the reserves are not considered as part of the members' unappropriated surplus by the British Columbia Financial Services Authority.

4. Material accounting policies (continued):

(h) Investment income:

Investment income is recognized on an accrual basis with dividend income recognized on the ex-dividend date.

(i) Income tax:

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

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax assets or liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets or liabilities are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that affects neither, accounting nor taxable profit or loss.

Deferred income tax assets or liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets or liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax assets or liabilities are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Foreign exchange:

The financial statements of the Company are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into functional currency using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as, income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

(Expressed in thousands of dollars)

5. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after January 1, 2023 and earlier application is permitted; however, the Company has not early adopted the new standards in preparing these consolidated financial statements.

The standards are not expected to have a material impact on the Company's financial statements in the period of initial application.

6. Investments:

	December 31, 2023	December 31. 2022 (Restated)	January 1, 2022 (Restated)
Fixed income securities	$ 75,439	$ 60,679	$ 50,923
Equity securities	67,797	54,592	52,027
Promissory note	4,500	2,500	2,500
	$ 147,736	$ 117,771	$ 105,450

On July 21, 2021, the Company provided an unsecured loan to Anthem Acquisition Ltd for $2,500 in exchange of a promissory note carrying an interest calculated on the daily balance at the rate of 10% per annum, with a maturity of May 31, 2023. Effective June 1, 2023 the maturity date is amended to February 29, 2024 with an extension right of the borrower to May 31, 2024 and the rate is amended to 11%.

On May 30, 2023, the Company provided an unsecured loan to Anthem Pre-Construction Funding I Corp. for $2,000 in exchange of a promissory note carrying an interest calculated on the daily balance at the rate of 11% per annum, with a maturity of May 31, 2024.

At December 31, 2023, certain investments with a carrying amount of $5,000 (December 31, 2022 - $5,000; January 1, 2022 - $5,000) are held as security for the bank line of credit (note 16).

7. Commitments

The Company has entered into a contract for the purchase of an investment property. The contract will give rise to an additional $222 payment on October 31, 2025.

(Expressed in thousands of dollars)

8. Insurance and reinsurance contracts:

The insurance contract liabilities and reinsurance contract assets are estimates subject to variability, and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are principally based on the Company's historical experience. Methods of estimation have been used which the Company believes produce reasonable results given current information.

All of the Company’s insurance contracts are related to property insurance. The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be (recovered) settled more than 12-months after the reporting date.

	2023	2022
Reinsurance contract assets	$ 72,758	$ 71,975
Insurance contract liabilities	(155,989)	(140,137)
Net insurance contracts	$ (83,231)	$ (68,162)

At December 31, 2023, the maximum exposure to credit risk from insurance contract is $27,161 (2022 - $21,807), which primarily relates to premiums receivable for services that the Company has already provided, and the maximum exposure to credit risk from reinsurance contracts is $71,914 (2022 - $69,565).

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements
(Expressed in thousands of dollars)

Year ended December 31, 2023

8. Insurance and reinsurance contracts (continued):

(a) Movements in insurance contract balances:

(*i*) Property – 2023:

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance insurance contract assets	$ (21,807)	$ -	$ (13,666)	$ -	$ (35,473)
Opening balance insurance contract liabilities	49,822	-	118,916	6,872	175,610
Net opening insurance contract balances	28,015	-	105,250	6,872	140,137
Changes in the statement of comprehensive income:					
Insurance revenue	(256,630)	-	-	-	(256,630)
Insurance service expense:					
Incurred claims and other insurance expenses	-	-	99,096	(72)	99,024
Amortization of insurance acquisition cash flows	-	-	76,536	-	76,536
Adjustments to liabilities for incurred claims	-	-	10,350	503	10,853
Insurance service expense	-	-	185,982	431	186,413
Investment components and premium refunds	-	-	-	-	-
Insurance service results	(256,630)	-	185,982	431	(70,217)
Net finance expenses from insurance contracts	-	-	5,652	-	5,652
Total changes in the statement of comprehensive income	(256,630)	-	191,634	431	(64,565)
Cash flows:					
Premiums received	258,332	-	-	-	258,332
Claims and other insurance service expenses paid	-	-	(99,026)	-	(99,026)
Insurance acquisition cash flows	-	-	(78,889)	-	(78,889)
Total cash flows	258,332	-	(177,915)	-	80,417
Net ending contract balances	29,717	-	118,969	7,303	155,989
Ending balance insurance contract assets	(27,161)	-	(16,014)	-	(43,175)
Ending balance insurance contract liabilities	56,878	-	134,983	7,303	199,164
Closing net insurance contract assets/liabilities	29,717	-	118,969	7,303	155,989

(Expressed in thousands of dollars)

8. Insurance and reinsurance contracts (continued):

(a) Movements in insurance contract balances (continued):

(*i*) Property – 2022:

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance insurance contract assets	$ (17,878)	$ -	$ (11,760)	$ -	$ (29,638)
Opening balance insurance contract liabilities	44,699	-	119,786	6,495	170,980
Net opening insurance contract balances	26,821	-	108,026	6,495	141,342
Changes in the statement of comprehensive income:					
Insurance revenue	(216,908)	-	-	-	(216,908)
Insurance service expense:					
Incurred claims and other insurance expenses	-	-	112,483	147	112,630
Amortization of insurance acquisition cash flows	-	-	63,400	-	63,400
Adjustments to liabilities for incurred claims	-	-	(1,985)	230	(1,755)
Insurance service expense	-	-	173,898	377	174,275
Investment components and premium refunds	-	-	-	-	-
Insurance service results	(216,908)	-	173,898	377	(42,633)
Net finance expenses from insurance contracts	-	-	(476)	-	(476)
Total changes in the statement of comprehensive income	(216,908)	-	173,422	377	(43,109)
Cash flows:					
Premiums received	218,102	-	-	-	218,102
Claims and other insurance service expenses paid	-	-	(99,630)	-	(99,630)
Insurance acquisition cash flows	-	-	(76,568)	-	(76,568)
Total cash flows	218,102	-	(176,198)	-	41,904
Net ending contract balances	28,015	-	105,250	6,872	140,137
Ending balance insurance contract assets	(21,807)	-	(13,666)	-	(35,473)
Ending balance insurance contract liabilities	49,822	-	118,916	6,872	175,610
Closing net insurance contract assets/liabilities	28,015	-	105,250	6,872	140,137

THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements
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8. Insurance and reinsurance contracts (continued):

(b) Movements in reinsurance contract balances:

(*i*) Property – 2023:

	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance reinsurance contract held assets	$ 2,410	$ -	$ 79,990	$ 4,655	$ 87,055
Opening balance reinsurance contract held liabilities	(15,080)	-	-	-	(15,080)
Net opening reinsurance contract held balances	(12,670)	-	79,990	4,655	71,975
Changes in the statement of comprehensive income:					
Allocation of reinsurance premiums paid	(106,375)	-	-	-	(106,375)
Amounts recoverable from reinsurers:					
Incurred claims recovered and other reinsurance expenses	-	-	55,724	(9)	55,715
Amortization of reinsurance acquisition cash flows	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(1,840)	(106)	(1,946)
Amounts recoverable from reinsurers	-	-	53,884	(115)	53,769
Investment components	-	-	-	-	-
Net expenses from reinsurance contracts held	(106,375)	-	53,884	(115)	(52,606)
Net finance (income) expenses from reinsurance contracts	-	-	4,431	-	4,431
Total changes in the statement of comprehensive income	(106,375)	-	58,315	(115)	(48,175)
Cash flows:					
Premiums paid	104,649	-	-	-	104,649
Amounts received	-	-	(55,691)	-	(55,691)
Total cash flows	104,649	-	(55,691)	-	48,958
Net ending reinsurance contract held balances	(14,396)	-	82,614	4,540	72,758
Ending balance reinsurance contract held assets	844	-	82,614	4,540	87,998
Ending balance reinsurance contract held liabilities	(15,240)	-	-	-	(15,240)
Closing net reinsurance contract balances	(14,396)	-	82,614	4,540	72,758

(Expressed in thousands of dollars)

8. Insurance and reinsurance contracts (continued):

(b) Movements in reinsurance contract balances (continued):

(*i*) Property – 2022:

	Assets for remaining coverage		Assets recoverable on incurred claims		
	Excluding Loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
Opening balance reinsurance contract held assets	$ 2,851	$ -	$ 91,092	$ 4,816	$ 98,759
Opening balance reinsurance contract held liabilities	(16,565)	-	-	-	(16,565)
Net opening reinsurance contract held balances	(13,714)	-	91,092	4,816	82,194
Changes in the statement of comprehensive income:					
Allocation of reinsurance premiums paid	(94,880)	-	-	-	(94,880)
Amounts recoverable from reinsurers:					
Incurred claims recovered and other reinsurance expenses	-	-	80,488	48	80,536
Amortization of reinsurance acquisition cash flows	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	(10,716)	(209)	(10,925)
Amounts recoverable from reinsurers	-	-	69,772	(161)	69,611
Investment components	-	-	-	-	-
Net Expenses from reinsurance contracts held	(94,880)	-	69,772	(161)	(25,269)
Net finance (income) expenses from reinsurance contracts	-	-	(311)	-	(311)
Total changes in the statement of comprehensive income	(94,880)	-	69,461	(161)	(25,580)
Cash flows:					
Premiums paid	95,924	-	-	-	95,924
Amounts received	-	-	(80,563)	-	(80,563)
Total cash flows	95,924	-	(80,563)	-	15,361
Net ending reinsurance contract held balances	(12,670)	-	79,990	4,655	71,975
Ending balance reinsurance contract held assets	2,410	-	79,990	4,655	87,055
Ending balance reinsurance contract held liabilities	(15,080)	-	-	-	(15,080)
Closing net reinsurance contract balances	(12,670)	-	79,990	4,655	71,975

(Expressed in thousands of dollars)

8. Insurance and reinsurance contracts (continued):

(c) Assumptions on claims development:

Uncertainty exists on reported claims in that all information may not be available at the reporting date, therefore, the claim cost may rise or fall at some date in the future when the information is obtained. In addition, claims may not be reported to the Company immediately, therefore, estimates are made as to the value of claims incurred but not yet reported, a value which may take months to finally determine. In order to determine the liability, assumptions are developed considering the characteristics of the class of business, the historical pattern of payments, the amount of data available and any other pertinent factors.

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as, internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The method for deriving sensitivity information and significant assumptions did not change from the previous period.

(d) Sensitivity analysis:

The Fiera Capital yield curve as of end of December 2023 is used in determining the Liability for Incurred Claims. The following table summarizes the impact of changing this yield curve by +-1% on fulfillment cash flows (FCF).

	2023		2022	
	Impact on gross FCF liabilities	Impact net FCF liabilities	Impact on gross FCF liabilities	Impact on net FCF liabilities
Change in yield curve +1%	$ (1,656)	$ (630)	$ (1,644)	$ (455)
Change in yield curve -1%	1,720	658	1,711	472

(e) Claims development table:

The following tables show the estimates of cumulative incurred claims net of reinsurance, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provision's adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

(Expressed in thousands of dollars)

8. Insurance and reinsurance contracts (continued):

(e) Claims development table (continued):

Net insurance contract outstanding claims provision for 2023

Accident year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
At end of accident year	$ 29,572	$ 27,032	$ 25,581	$ 24,265	$ 28,618	$ 30,672	$ 29,245	$ 31,426	$ 43,076	$ 57,728	
One year later	30,073	26,920	25,289	25,363	28,711	30,342	28,944	31,178	43,606		
Two years later	29,324	26,440	24,614	25,111	28,612	30,039	28,261	31,147			
Three years later	28,739	26,032	24,053	25,214	28,685	29,522	27,930				
Four years later	28,501	25,965	23,964	25,377	28,445	29,013					
Five years later	28,285	25,807	23,849	25,265	28,171						
Six years later	28,244	25,363	23,838	25,271							
Seven years later	28,175	25,301	23,684								
Eight years later	27,998	25,259									
Nine years later	27,994										
Estimate of cumulative claims incurred	27,994	25,259	23,684	25,271	28,171	29,013	27,930	31,147	43,606	57,728	319,803
Cumulative payments to date	27,989	25,220	23,483	24,565	27,525	27,393	25,508	29,175	34,931	19,494	265,283
Net undiscounted outstanding insurance claims provision at December 31, 2023	$ 5	$ 39	$ 201	$ 706	$ 646	$ 1,620	$ 2,422	$ 1,972	$ 8,675	$ 38,234	$ 54,520
Net undiscounted outstanding insurance claims provision with respect to prior accident years											$ 221
Total net undiscounted outstanding insurance claims provision at December 31, 2023											$ 54,741
Undiscounted unallocated loss adjustment expenses											997
Effect of discounting											(3,368)
Risk Adjustment											2,762
Total net discounted outstanding insurance claims provision, December 31, 2023											$ 55,132

(Expressed in thousands of dollars)

8. Insurance and reinsurance contracts (continued):

(f) Expected loss ratios:

The following table sets forth the expected loss ratios experienced by the Company:

	Expected loss ratio	
	2023	2022
Property	60.0%	60.0%
Casualty	70.0%	70.0%
Blended expected loss ratio	60.7%	60.6%

(g) Insurance Acquisition Cash Flows:

The Company is expecting to derecognize insurance acquisition cash flows in less than one year.

9. Property and equipment:

	Land and buildings	Office furniture	Computer equipment	Vehicles	Total
Cost:					
Balance, December 31, 2021	$ 2,764	$ 75	$ 209	$ 107	$ 3,155
Additions	-	-	82	-	82
Balance, December 31, 2022	2,764	75	291	107	3,237
Additions	30	7	28	-	65
Balance, December 31, 2023	$ 2,794	$ 82	$ 319	$ 107	$ 3,302

	Land and buildings	Office furniture	Computer equipment	Vehicles	Total
Depreciation:					
Balance, December 31, 2021	$ 1,188	$ 37	$ 70	$ 61	$ 1,356
Depreciation for the year	62	7	50	14	133
Balance, December 31, 2022	1,250	44	120	75	1,489
Depreciation for the year	59	7	60	10	136
Balance, December 31, 2023	$ 1,309	$ 51	$ 180	$ 85	$ 1,625
Carrying amounts:					
At December 31, 2022	$ 1,514	$ 31	$ 171	$ 32	$ 1,748
At December 31, 2023	1,485	31	139	22	1,677

(Expressed in thousands of dollars)

10. Intangible assets:

		Computer software licenses
Cost:		
Balance, December 31, 2021	$	537
Additions		61
Balance, December 31, 2022		598
Additions		145
Balance, December 31, 2023	$	743

		Computer software licenses
Amortization:		
Balance, December 31, 2021	$	130
Amortization for the year		113
Balance, December 31, 2022		243
Amortization for the year		135
Balance, December 31, 2023	$	378
Carrying amounts:		
At December 31, 2022	$	355
At December 31, 2023		365

11. Amounts payable and accrued liabilities:

		2023		2022
Agents, brokers and intermediaries	$	3,308	$	3,000
Other amounts payable and accrued expenses		2,632		2,399
	$	5,940	$	5,399

12. Reserves:

Pursuant to the guidelines set by the British Columbia Financial Services Authority, the Company has set aside an earthquake premium reserve of $750 (2022 - $750).

(Expressed in thousands of dollars)

13. Net investment income (expense):

	2023	2022
Recognized in net earnings:		
Dividend and interest income	$ 4,602	$ 3,122
Net realized gain on investments	503	1,169
Investment management fees	(380)	(343)
Change in unrealized gain or loss	7,297	(9,163)
Net investment income (expense)	$ 12,022	$ (5,215)

14. Income taxes:

Total tax expense (recovery) consists of the following:

	2023	2022
Current tax	$ 5,070	$ 1,601
Deferred tax	(145)	(600)
Total tax expense (recovery)	$ 4,925	$ 1,001

The following is a reconciliation of the Company's income tax expense at its statutory tax rate of 24.55% (2022 – 22.63%) to its effective tax rate.

Reconciliation of effective tax rate:

	2023	2022
Net income (loss) before income tax	$ 20,053	$ 4,422
Income tax at combined federal and provincial statutory income tax rate 24.55% (2022 – 22.63%)	$ 5,286	$ 1167
Non-taxable income and non-deductible expenses	(320)	(199)
Adjustment to prior year amounts	(58)	109
Other	17	(76)
	$ 4,925	$ 1,001

(Expressed in thousands of dollars)

15. Related parties:

(a) Key management personnel compensation:

Key management personnel of the Company include all directors, executives, and senior management.

In addition to their salaries, the Company also provides non-cash benefits to certain employees and contributes to a registered retirement savings plan of eligible staff.

	2023	2022
Salaries and benefits	$ 1,778	$ 2,328
Registered savings plan contributions	79	88
	$ 1,857	$ 2,416

(b) Key management personnel and director transactions:

The aggregate value of transactions relating to key management personnel and directors over which they have control or significant influence were as follows:

	2023	2022
Management insurance premiums	$ 11	$ 12
Directors' insurance premiums	56	61
	$ 67	$ 73

16. Line of credit:

The Company maintains a line of credit agreement with a third-party lender for up to $5,000 (2022 - $5,000). Nil was drawn on the line of credit as at December 31, 2023 (2022 - nil).

17. Financial and insurance risk management:

(a) Overview:

This note presents information about the Company's exposure to financial and insurance risk, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Company's primary long-term risk is that the Company's assets will fall short of its future liabilities (including claims of insured parties). The main objective of financial risk management is to maintain assets, primarily through a diversified portfolio of investments to ensure sufficient liquidity and value to meet the obligations when they fall due.

17. Financial and insurance risk management (continued):

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(c) Insurance risk:

(*i*) Terms and conditions of insurance contracts:

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

The commercial segment underwrites the risks of enterprises from small businesses to large corporations. The personal segment provides insurance to the general public in their personal capacities.

(A) Property:

Property coverage provides indemnity for loss of or damage to immovable and movable property caused by perils such as fire, lightning, explosion, weather, water, earthquake and malicious damage. The fire classes also include business interruption policies which insure the loss of profits incurred by a business as a result of loss or damage to the insured property by these perils.

(B) Accident:

Accident coverage provides indemnity for loss of or damage to mainly movable property for losses caused by crime, certain accidental damage such as damage to goods in transit or accidental damage to glass. Included under the accident classes are legal liabilities an insured may incur as a result of accidental damage to third party property or accidental death or injury to a third party caused by the insured.

17. Financial and insurance risk management (continued):

(c) Insurance risk (continued):

(*i*) Terms and conditions of insurance contracts (continued):

(C) Personal accident:

Personal accident coverage provides compensation arising out of the permanent or temporary total disability of the insured or possibly the employees of a business. Such disability is restricted to certain accidents and does not provide the wider coverage available from the life insurance industry.

(*ii*) Insurance risk and policies for mitigating insurance risk:

The primary activity of the Company relates to the assumption of the risk of loss from events involving persons or organizations. Such risks may relate to property, accident, personal accident and other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under insurance contracts.

The principal risk is that the frequency and severity of claims is greater than expected and that the Company does not charge premiums appropriate for the risk accepted. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, management of reinsurance and monitoring of emerging issues. These actions are described below:

(A) Underwriting strategy:

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks spread over a large geographical area. The underwriting strategy is set out in an annual business plan that determines the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Company is prepared to accept exposure. This strategy is implemented by individual underwriters through limits for underwriters by line size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio. The single largest gross risk, based on estimated maximum loss, any one underwriter can commit the Company is a maximum of $5,000 (2022 - $5,000).

Adherence to the underwriting authorities is measured through a series of exception reports that are monitored on a regular basis covering line size, territory, class and industry. In addition, management meets regularly to review underwriting information including premium income and loss ratios.

17. Financial and insurance risk management (continued):

(c) Insurance risk (continued):

(*ii*) Insurance risk and policies for mitigating insurance risk (continued):

(B) Reinsurance strategy:

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company enters into a combination of proportional and non-proportional reinsurance treaties to reduce the net exposure of the Company on any one risk to less than $953 (2022 - $750).

The Company reflects reinsurance balances on the statement of financial position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to policyholders. To mitigate this risk, the reinsurance business is transacted in accordance with regulation by the Office of the Superintendent of Financial Institutions Canada and the Insurance Companies Act of Canada. All reinsurance arrangements are approved by the Board of Directors.

(C) Concentrations of insurance risk and policies mitigating concentrations:

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Company's resources. The Company monitors the concentration risk by geographical segment and class of business.

(*iii*) Exposure relating to catastrophe events:

The Company sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes. The aggregate position is reviewed annually. The Company uses a number of modeling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programs and the net exposure of the Company.

The Company considers that its most significant exposure would arise in the event of an earthquake. This analysis has been performed through identifying key concentration of risks based on different classes of businesses exposed in the event of such an incident. The Company's policies for mitigating catastrophe risk exposure include the use of both proportional and excess-of-loss reinsurance. In the event of a major catastrophe such as an earthquake, the net retained loss would be a maximum of $5,000 (2022 - $1,500).

The Company has purchased excess-of-loss reinsurance for catastrophe events that provides indemnity to the Company to a maximum of $220,000 (2022 - $170,000).

Reinsurance treaties have been subscribed to by a number of reinsurance companies on the open market through the Company's broker, Gallager Re. The reinsurance, however, does not relieve the Company of its primary obligation to policyholders. If any reinsurers are unable to meet their obligations under the related agreements, the Company would be liable to its policyholders for unrecoverable amounts. To minimize the possibility of a reinsurer being unable to meet their obligations, the Company has only used reinsurers that are rated by the AMBEST rating agency at A- or higher.

17. Financial and insurance risk management (continued):

(c) Insurance risk (continued):

(*iii*) Exposure relating to catastrophe events (continued):

The Company's objectives, policies and processes for managing liquidity, credit, interest rate and insurance risk and the methods used to measure insurance risk have not changed materially from the prior year.

(*iv*) Other risks and policies mitigating these risks:

Insurance companies are exposed to the risk of false, invalid and exaggerated claims. Fraud detection is primarily managed through vigilant monitoring activities of experienced claims adjustors.

(d) Credit risk:

Credit risk is the risk of loss if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from reinsurers, insurance brokers, policyholders and investment securities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each reinsurer, insurance broker and policyholder. The Company regularly evaluates the financial strength of its reinsurers to ensure that the reinsurers have the capacity to fulfill their obligations.

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

Credit risk for insurance brokers and policyholders is managed through continual review of receivables and active collection of overdue amounts.

Credit risk for investments is managed by investing primarily in liquid securities and primarily with counterparties that have a credit rating of at least BBB from Standard & Poor's and Baa from Moody's. Management actively monitors credit ratings and given that the Company primarily has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The carrying amount of financial assets as at December 31, 2023 and 2022, best represents the maximum exposure to credit risk for each respective year.

(Expressed in thousands of dollars)

17. Financial and insurance risk management (continued):

(d) Credit risk:

As at December 31, 2023 and 2022, the Company's credit risk exposure for equity and debt securities within the investment portfolio, grouped by credit risk rating of Standard & Poor's, was as follows:

2023	AAA	AA	A	BBB	Not rated	Total
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 36,164	$ 36,164
Debt instruments	8,154	24,655	7,754	8,776	12,527	61,866
Short-term investments	-	3,168	5,409	746	4,250	13,573
Equities	-	-	-	-	67,797	67,797
Promissory Note	-	-	-	-	4,500	4,500
Reinsurance contract assets	-	-	-	-	72,758	72,758
	$ 8,154	$ 27,823	$ 13,163	$ 9,522	$197,996	$ 256,658

2022	AAA	AA	A	BBB	Not rated	Total
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 29,872	$ 29,872
Debt instruments	7,228	19,246	5,104	6,703	11,122	49,403
Short-term investments	-	3,147	879	-	7,250	11,276
Equities	-	-	237	71	54,284	54,592
Promissory Note	-	-	-	-	2,500	2,500
Reinsurance contract assets	-	-	-	-	71,975	71,975
	$ 7,228	$ 22,393	$ 6,220	$ 6,774	$177,003	$ 219,618

(e) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations as they come due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its cash flow requirements and optimizes its cash return on investments. Typically, the Company ensures that it has sufficient cash on demand to meet expected expenses for a period of 60-days; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company maintains a line of credit agreement with its lender to provide additional cash resources to the Company to primarily manage the timing of payment of claims and payment of premiums by our insured.

As at December 31, 2023 and 2022, the majority of the Company's financial liabilities were due within one year.

(Expressed in thousands of dollars)

17. Financial and insurance risk management (continued):

(f) Currency risk:

Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign currency risk is limited to its investment portfolio, which invests in U.S. equity securities. The amount of US equity securities as at December 31, 2023 was $19,349 (2022 - $14,750). The Company manages currency risk by monitoring US dollar exposure in its investment portfolio at targeted levels.

A strengthening or weakening of the Canadian dollar of 5% against the U.S. dollar at December 31, 2023 would have increased or decreased net income and members' surplus by the $967 (2022 - $737) assuming all other variables remain constant.

(g) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments, such as bonds, will fluctuate due to changes in the levels of market interest rates. At the reporting date, all of the Company's interest-bearing financial instruments and loans had fixed rate interest terms. Additionally, the Company intends to, and has the ability to hold these instruments to maturity. Therefore, the Company is not exposed to significant interest rate risk.

	2023	2022
Less than 1 year	$ 13,573	$ 10,894
1 – 3 years	24,556	17,814
3 – 5 years	27,322	19,936
Greater than 5 years	9,988	12,035
	$ 75,439	$ 60,679

If the prevailing interest rates increased or decreased by 1%, with all other variables held constant, members' surplus and reserves would have decreased or increased by approximately $754 (2022 - $606). Actual results may differ from the above sensitivity analysis and the difference could be material.

(h) Other price risk:

Other price risk is the risk that the fair value of the Company's financial instruments will fluctuate due to changes in market conditions, other than those changes arising from interest rates or foreign currencies. The Company is exposed to other price risk primarily through its fair value through profit and loss equity securities. Management of the Company monitors the mix of debt and equity securities in its investment portfolio. Material investments within the portfolio are managed on an individual basis and all transactions are monitored for compliance with the Company's approved investment policy. The primary goal of the Company's investment strategy is to optimize investment returns within its risk parameters. Management is assisted by external advisers in this regard.

(Expressed in thousands of dollars)

17. Financial and insurance risk management (continued):

(h) Other price risk (continued):

All of the Company's investments in equities are listed on major stock exchanges located either in Canada or the U.S. For such investments classified as fair value through Profit and Loss, a 5% change in the TSX Composite Index and S&P 500 at the reporting date would have increased or decreased members' surplus and reserves by approximately $2,665 (2022 - $2,069).

18. Fair values of financial instruments:

(a) Fair value of financial instruments:

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value:				
Investments	$ 147,736	$ 147,736	$ 117,771	$ 117,771
Assets and liabilities carried at amortized cost:				
Cash and cash equivalents	36,164	36,164	29,872	29,872
Accrued investment income	993	993	769	769
Amounts payable and accrued liabilities	(5,940)	(5,940)	(5,399)	(5,399)
	$ 178,953	$ 178,953	$ 143,013	$ 143,013

(b) Valuation models:

Observable prices and model inputs are usually available in the market for listed equity securities, and for pooled funds. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Investments that are traded in a public market are valued based on closing market quotations. Private investments are valued based on the redemption values or capitalization models. Debt investments are valued based on discounted cash-flow models.

(c) Fair value hierarchy:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Fair value measurements of the investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

(Expressed in thousands of dollars)

18. Fair values of financial instruments (continued):

(c) Fair value hierarchy (continued):

The three levels of the fair value hierarchy are:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (*i.e.*, as prices) or indirectly (*i.e.*, derived from prices); and

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(*i*) Financial instruments measured at fair value:

The following table illustrates the classification within the fair value hierarchy of the financial instruments measured at fair value by the Company:

2023	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 61,039	$ 14,400	$ -	$ 75,439
Equity securities	53,319	-	-	53,319
Private investments	-	-	18,978	18,978
Total	$ 114,358	$ 14,400	$ 18,978	$ 147,736

2022	Level 1	Level 2	Level 3	Total
Fixed income securities	$ 44,579	$ 16,100	$ -	$ 60,679
Equity securities	41,392	-	-	41,392
Private investments	-	-	15,700	15,700
Total	$ 85,971	$ 16,100	$ 15,700	$ 117,771

For the years ended December 31, 2023 and 2022, there were no significant transfers between the three levels of the hierarchy.

(Expressed in thousands of dollars)

18. Fair values of financial instruments (continued):

(c) Fair value hierarchy (continued):

(*i*) Financial instruments measured at fair value (continued):

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2023	2022
Balance, beginning of the year	$ 15,700	$ 13,100
Purchases	3,278	2,000
Unrealized gain (losses)	-	600
Balance, end of year	$ 18,978	$ 15,700

(*ii*) Financial instruments measured at amortized cost:

The Company's cash and cash equivalents, accrued investment income, amounts payable and accrued liabilities are classified as Level 2 in the fair value hierarchy because, while settlement amounts or prices are available, there is no active market for these instruments.

(d) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

2023

Description	Fair value	Valuation technique	Unobservable input	Amount / rate	Sensitivity to change in significant unobservable input
Investments	$ 6,000	Redemption value	Redemption value	$ 6,000	The estimated fair value would increase if redemption value increased
Investments	$ 12,978	Capitalization models	Capitalization rate	5.00% 7.00%	The estimated fair value would increase if the capitalization rate decreased

2022

Description	Fair value	Valuation technique	Unobservable input	Amount / rate	Sensitivity to change in significant unobservable input
Investments	$ 4,000	Redemption value	Redemption value	$ 4,000	The estimated fair value would increase if redemption value increased
Investments	$ 11,700	Capitalization models	Capitalization rate	5.00% 7.00%	The estimated fair value would increase if the capitalization rate decreased

18. Fair values of financial instruments (continued):

(d) Significant unobservable inputs used in measuring fair value (continued):

Redemption value represents the amount that the Company will receive on disposal of the investment. Capitalization models employ a capitalization rate, which is used to determine the fair value of a property based on that property's net operating income. If the redemption value was to increase or decrease by 10% or the capitalization rate were to increase or decrease by 1%, this would result in increase or decrease the investment fair value by $(705) or $4,996 (2022 - $(466) or $5,580).

19. Capital management and statutory requirements:

The Company's objectives when managing capital, consisting of members' surplus and reserves, are to comply with the insurance capital requirements required by the Company's regulator, the British Columbia Financial Services Authority ("BCFSA"); safeguard the Company's ability to continue as a going concern; and provide an adequate return on capital by pricing insurance and investment contracts commensurately with the level of risk.

The Company's regulator, BCFSA, sets and monitors capital requirements for the Company's operations. The Company is required to maintain a level of sufficient capital to achieve a target of 150% of a Minimum Capital Test ("MCT"). As at December 31, 2023 and 2022, the Company was in compliance with these requirements.

SCAN THE QR CODE TO READ OUR INAUGURAL ESG AND SUSTAINABILITY REPORT

MUTUAL FIRE
INSURANCE