Annual Report | 2023

PROMUTUEL
INSURANCE
OUTAOUAIS VALLEY

A Word from the President and General Manager

Denis Larivière
President

Éric Hayes
General Manager

Guided by the mutualist principles that make us strong, our mutual company made sure our every action and decision in 2023 was rooted in caring, solidarity, and cooperation. Every day, team members outdid themselves to provide sound advice to our members and support the causes that matter to our community. By achieving our goals, our teams showed just how close we are to our members. Most importantly, they were THERE, as we have been for over 170 years, and will be for a long time to come!

At Promutuel Insurance, we are committed to creating value and providing our members with the right insurance for their needs. In 2023, we launched our strategy for corporate social responsibility, something that's always been part of our identity, and again showed how strongly we belong to the local community by partnering with, sponsoring, and supporting local causes. Our team doubled down on their efforts to achieve the ambitious targets they'd set and improve the member experience.

Member experience at the heart of our priorities

Promutuel Insurance is the most recommended consumer insurer. And our mutual company takes that reputation seriously, constantly striving to provide a better experience for its members which makes us stand out in our industry. To keep on optimizing our customer service, we raised the maximum daily amounts paid on losses and per eligible automobile insurance loss. It's all about meeting member needs better and making it easier to settle claims so that members get the experience they're looking for.

Committed to protecting your privacy

As always, our mutual company pledges to protect the information you've entrusted to us, in accordance with existing laws. Over the past year we've updated our consent procedures and established a working committee for sound data management within the organization. Protecting member confidentiality remains our top priority. We follow industry best practices and require all our business partners to do so, as well.

A high-performing and profitable mutual company

Over the past year, our team has also made every effort to advance and finalize the business plan based on Groupe Promutuel's 2020–2023 Strategic Plan. In the face of strong competition in the damage insurance industry, our team is proud of the strong results achieved at the end of 2023. Those results have once again confirmed the profitability and outstanding performance of our mutual company.

As usual, we pulled out all the stops to achieve our ambitious goals. At year's end, our written premium volume stood at $62,219,000,[1] up 11.74% over 2022. Growth was faster than projected, owing in part to organic growth in the number of insurance policies. We did however have to step in during the year by adjusting rates to deal with a dramatic increase in the average cost of claims. The increase was the result of inflation and repair delays compounded by staff shortages in both car and home insurance. Rate increases were necessary to achieve a balance between premiums collected and outlays. Our mutual company ended up paying out a total of $33,722,000 in compensation to our members, bringing our loss ratio to 55%, compared to 64% in 2022.[2]

The Insurance Bureau of Canada ranked 2023 as the fourth most costly year in the country's history in terms of the damage caused by major climatic events.[3] Our members however were shielded from some of the impacts, hence the lower-than-anticipated loss ratio. Nonetheless, the increase in vehicle theft, currently a major concern in the industry, and the hailstorm in late July did affect our organization's performance.

All in all, our insurance service result came to $3,401,000. A resounding success that attests to the hard work of our teams and partners. Their efforts helped reduce the frequency and severity of losses, while the informed decisions of our managers kept our organization on a solid long-term footing.

Thanks all around

We wouldn't be celebrating these outstanding 2023 results if it weren't for the dedication of our incredible team. Special thanks to our employees—you constantly surprise us with the fantastic service you provide to our members. We also salute the contributions of our directors, who spared no effort to make our mutual company a beacon of mutualist principles in the region. Your commitment to Promutuel Insurance Outaouais Valley and our community is unequivocal and makes a real difference.

We also thank our brokerage network and business partners for their continued confidence. Working with you to make our mutual company thrive is a true pleasure!

Last but not least, we thank our loyal members for their trust in Promutuel Insurance. You're the reason this flourishing mutual insurance company is delivering on its potential and bringing real benefits here in our communities.

Denis Larivière
President

Éric Hayes
General Manager

1 This financial metric does not meet International Financial Reporting Standards (IFRS). The closest recognized metric, *insurance service revenue*, is presented in the "Statements of Income and Comprehensive Income" section of the 2023 Financial Report.

2 The 2022 loss ratio was calculated to make it comparable to that of 2023.

3 From the article "Severe Weather in 2023 Caused Over $3.1 billion in Insured Damage" published on the Insurance Bureau of Canada website on January 8, 2024.

2023 Performance Promutuel Insurance Outaouais Valley

$62.2 million In written premiums[1]

$33.7 million In compensation

55% Loss ratio[2]

$3.4 million Insurance service result

92 Employees

30,892 Members

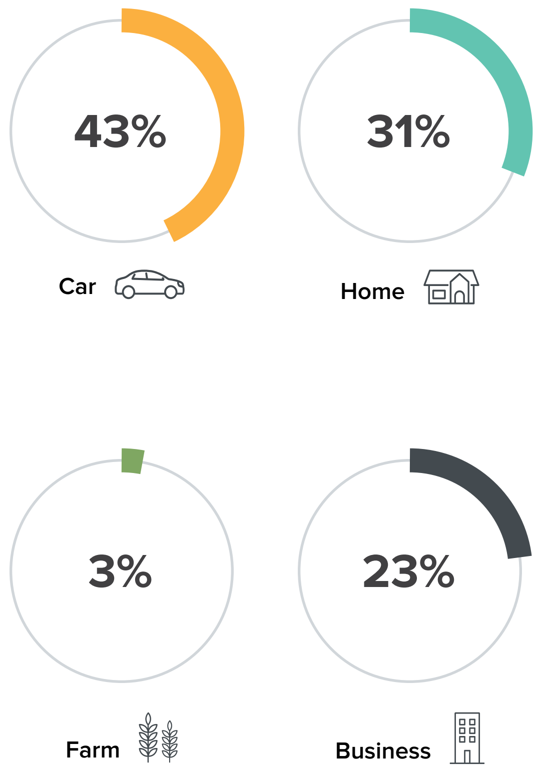
1 This financial metric does not meet International Financial Reporting Standards (IFRS). The closest recognized metric, *insurance service revenue*, is presented in the “Statements of Income and Comprehensive Income” section of the 2023 Financial Report.

2 Not an IFRS financial metric.

Growth 11.7%

$37.4 million Member equity

Premium allocation

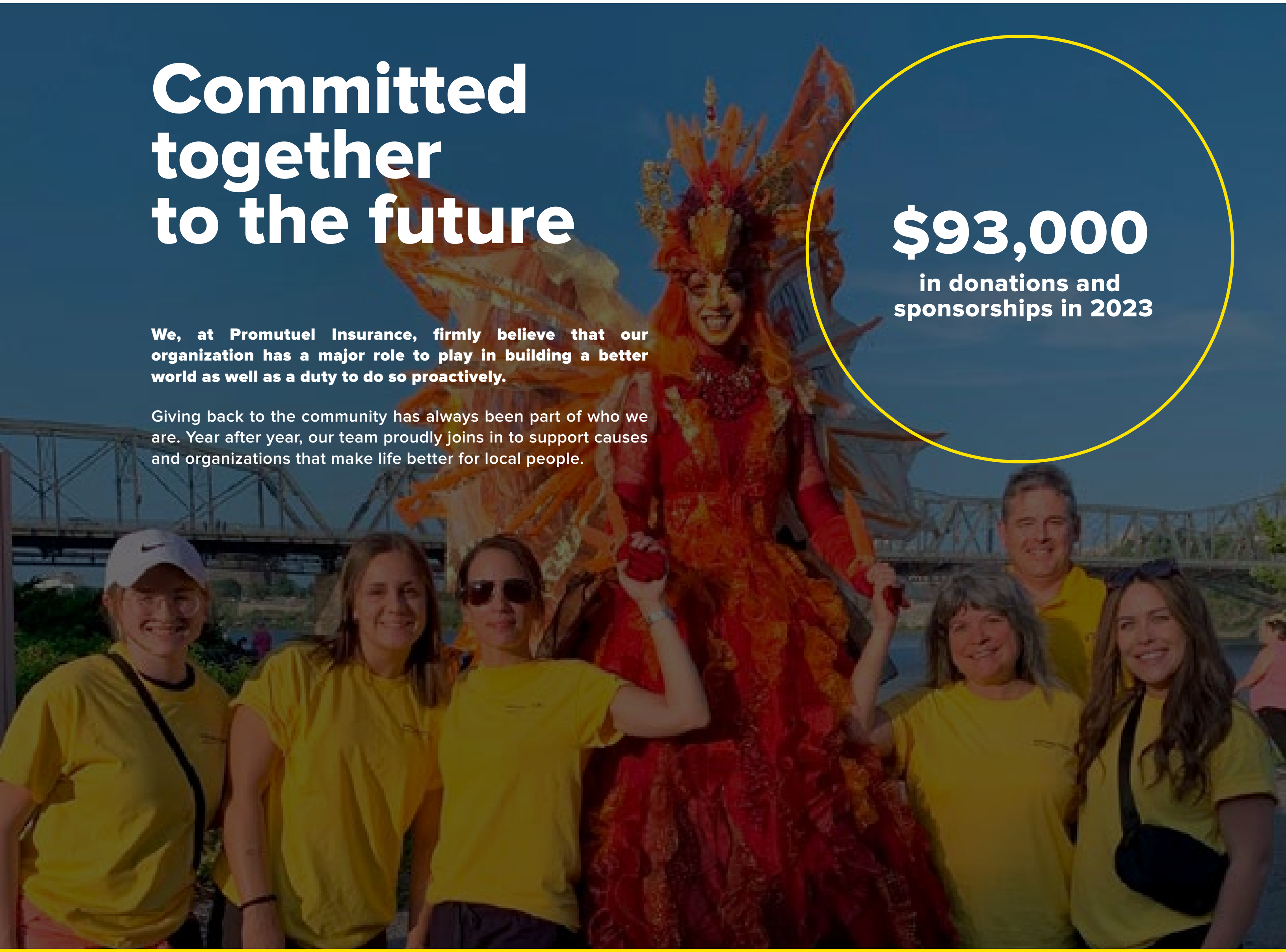


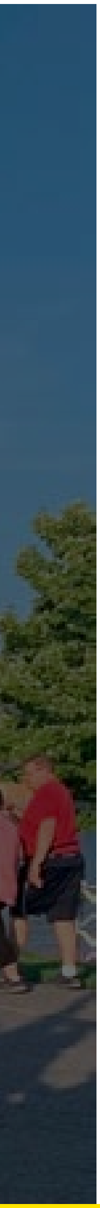
Committed together to the future

$93,000
in donations and sponsorships in 2023

We, at Promutuel Insurance, firmly believe that our organization has a major role to play in building a better world as well as a duty to do so proactively.

Giving back to the community has always been part of who we are. Year after year, our team proudly joins in to support causes and organizations that make life better for local people.





SOME CAUSES WE SUPPORTED IN 2023:

- Les Grands Feux du Casino Lac-Leamy
- Le Salon Expo-Habitat Outaouais
- La Petite Nation Food Bank Golf Tournament
- Gatineau Chamber of Commerce Golf Tournament
- Festival Western Saint-André-Avellin
- Fort Coulonge/Mansfield Country Festival
- Expo Shawville Fair
- Festival Ripon Trad
- Festival du Bûcheron

We also pitched in at Moisson Outaouais with two staff volunteer events.

A FIRST INTERNATIONAL HIRE

In 2023 we welcomed with open arms our first-ever employee from Algeria. To help her and her family get settled here, we undertook the necessary steps with Immigration Canada. The initiative, which we hope to repeat in 2024 to address the shortage of insurance industry workers, is an indisputable demonstration of our organization's values and priorities.

www.promutuelinsurance.ca/outaouais-valley

Coordination and Writing:
Groupe Promutuel Communications and Public Affairs Department

Graphic Design:
Groupe Promutuel Marketing and E-business Department

2023 | Financial Report

PROMUTUEL INSURANCE
OUTAOUAIS VALLEY

To uphold our mutualist values

Groupe Promutuel and its member associations firmly believe that the rigorous application of best governance practices is the key to upholding mutualist values. With that in mind, Groupe Promutuel undertook a review of its governance and identified areas for improvement. Work to implement the recommendations resulting from the review is underway and will ensure that Groupe Promutuel governance evolves to be consistent with best practices.

Similarly, Groupe Promutuel must adopt best practices in regulatory compliance and risk management, so our insureds benefit from management that is healthy, prudent, and effective. To that end, we have developed policies and processes that govern who we are and what we do.

Management Roles and Responsibilities

Our board members and management staff must act in an honest, fair, and ethical manner. While showing all the integrity expected of them, they must also possess and develop the skills they need to fulfill the roles, responsibilities, and obligations incumbent upon them. With a view to sound and prudent management, Groupe Promutuel has taken steps to include a member with specific expertise in information and communication technology on the Board of directors. The addition of a member with these qualifications was approved at the special meeting held in September 2023. This person will be elected at the next general meeting. In the meantime, we have appointed a person with these abilities.

Business Risk Management

Groupe Promutuel has a management framework that addresses all the risks to which it is exposed. The framework is administered and overseen by various managers and committees. The Board of Directors is responsible for determining risk tolerance levels. It must also approve the development, review, and implementation of risk monitoring and control policies. Promutuel Insurance has therefore taken steps to implement significant security and risk management measures that will enable it, like all financial institutions subject to the *Act respecting the protection of personal information in the private sector*, to comply with its obligations and adopt best practices, among other things. To this end, the Board of Directors has established a Risk Management Committee.

Internal Controls, Independent Supervision, and Operational Audits

Our internal controls are effective and efficient. They are based on reports from the people responsible for risk management and regulatory compliance, along with any other reports drawn up for the Board of directors.

Our internal controls are also subject to various external oversight mechanisms, including external audits.

The Audit committee has been mandated by the Board of directors to ensure compliance with sound business practices and sound and prudent management practices.

Ethics and Professional Conduct

The Governance and ethics committee that reports to the Board of Directors ensures that Groupe Promutuel applies a code of ethics for board members and a code of ethics and professional conduct for staff. These codes address both potential and apparent conflicts of interest. The Committee conducts annual assessments of the Board’s integrity and collective competence.

Governance

Groupe Promutuel’s governance framework also includes a program, policies, and a self-assessment mechanism based on best practices, which, for the purpose of continuous improvement, are also part of Groupe Promutuel’s work to review and improve its governance.

Summary

Management Report	2
Independent Auditor's Report	3
Appointed Actuary's Report	5
Financial Statements	
Income and Comprehensive Income	6
Changes in Equity	7
Cash Flows Statement	8
Balance Sheet	9
Notes to Financial Statements	11

Directors

The 30,892 members of Promutuel Insurance Outaouais Valley are represented on the Board of Directors by:

Denis Larivière*, President	Campbell's Bay
François Chartier*, Vice-President	Grenville-sur-la-Rouge
Hélène Boulet**	Otter Lake
Francine Dutrisac**, President of Audit Committee	Papineauville
Ronald Hodgins* **	Clarendon
Éric Joanisse°	Gatineau
Jean Lacourse°	Shawville
Jonathan Robert°, President of Ethics Committee	Gatineau

* Member of the Executive Committee
** Member of the Audit Committee
° Member of the Ethics Committee

Management Report

The management of the Company assures the members that the financial statements and all other information contained in this report are fairly represented. These financial statements have been drawn up according to International Financial Reporting Standards.

The Company maintains an accounting system and appropriate controls within reasonable costs. The methods used ensure within reason, proper bookkeeping, accurate information and the protection of the assets of the Company.

The Audit Committee is formed of members of the Board of Directors of the Company, excluding employees of the Company. The committee has regular meetings with the auditor and management in order to discuss their respective roles and the presentation of the financial report.

Under the *Insurers Act* , the Federation must provide the Company with the services of an auditor. The auditor is responsible to report to the members, to the directors and to the Autorité des marchés financiers as to the accuracy of the presentation of the financial statements of the Company in accordance with International Financial Reporting Standards. The auditor fulfils his duty by examining the financial statements according to Canadian generally accepted auditing standards.

Under the *Insurers Act* , the Federation must provide the Company with the services of an actuary. The actuary is responsible for ensuring that the assumptions and methods for the valuation of policy liabilities are in accordance with accepted actuarial practice in Canada, applicable legislation and associated regulations and directives.

The actuary is required to provide an opinion on the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations. The work to form that opinion includes an examination of sufficiency and reliaility of policy data and an analysis of the ability of the assets to support the policy liabilities.

The actuary is required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the Company until December 31, 2023 under economic and business conditions.

The financial statements have been examined by the Audit Committee and approved by the Board of Directors. Moreover, reports from the auditor and the actuary appear on the next pages.

General manager,

Éric Hayes

Gatineau, February 27th, 2024

Independent Auditor's Report

To the members of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale

Opinion

We have audited the financial statements of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale (the "Company"), which comprise the balance sheet as at 31 december 2023, and the statement of income and comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 december 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Observations – Restated comparative information

We draw attention to Note 4 of the financial statements, which indicates that the Company adopted IFRS 17, Insurance Contracts and IFRS 9, Financial instruments on January 1, 2023. These standards have been applied retrospectively by management to the comparative information contained in these financial statements, including the balance sheet as at December 31, 2022 and January 1, 2022, and the statements of income and comprehensive income, statement of changes in equity and cash flows for the year ended December 31, 2022, as well as related information. Our opinion is not changed on this point.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vice-Presidency, Auditing,

Marianne Grenier, CPA auditrice
Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale
2000, boulevard Lebourgneuf
Québec (Québec) G2K 0B6

Quebec, February 27th, 2024

Appointed Actuary's Report

To the members of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale

I have valued the policy liabilities of Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale for its balance sheet as at 31 december 2023 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Pierre Lepage, FCAS, FICA
KPMG

Quebec, February 27th, 2024

Statements of Income and Comprehensive Income

Fiscal year ending December 31
(in thousands of Canadian dollars, unless otherwise specified)

INCOME	**2023**		2022 Restated (Note 4)	
Insurance service revenue (Note 17)	**61 171**	**$**	56 118	$
Insurance service expenses (Note 18)	**(53 891)**		(54 821)	
Insurance service result before reinsurance	**7 280**		1 297	
Transfer of reinsurance on premiums (Note 17)	**(10 740)**		(9 369)	
Amounts recovered from reinsurers for claims incurred (Note 17)	**6 861**		12 018	
Net income from reinsurance contracts held	**(3 879)**		2 649	
INSURANCE SERVICE RESULT	**3 401**		3 946	
INVESTMENT INCOME				
Net investment income (Note 6)	**3 709**		(2 589)	
Interest on lease obligations	**(91)**		(94)	
Interest revenues (expenses) on pension plans financing and on representation termination fund	**(26)**		(136)	
Financial income (expenses) for insurance contracts (Note 17)	**(451)**		32	
Financial income (expenses) for reinsurance treaties (Note 17)	**129**		29	
NET FINANCIAL RESULT	**3 270**		(2 758)	
Other income (Note 7)	**188**		1 002	
Other charges (Note 8)	**(2 742)**		(1 932)	
EARNINGS BEFORE INCOME TAXES	**4 117**		258	
Income taxes (Note 10)	**995**		34	
NET INCOME	**3 122**	**$**	224	$

COMPREHENSIVE INCOME STATEMENT

NET INCOME	**3 122**	**$**	224	$
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to net income				
Actuarial gains (losses) on pension plans, net of income taxes	**(1 545)**		3 085	
COMPREHENSIVE INCOME	**1 577**	**$**	3 309	$

Statement of Changes in Equity

Fiscal year ending December 31
(in thousands of Canadian dollars, unless otherwise specified)

				Accumulated other comprehensive income étendu		
	Contri-buted surplus	Preferred shares	Retained earnings	Gains (losses) on assets at fair value through other compre-hensive income	Actuarial gains (losses) on pension plans	Total
BALANCE ON DECEMBER 31, 2021	11 594 $	1 225 $	18 776 $	1 590 $	(1 436) $	31 749 $
Effect of changes to accounting standards (Note 4)						
IFRS 17			2 057			2 057
IFRS 9			1 590	(1 590)		
Restated balance at December 31, 2021	11 594	1 225	22 423		(1 436)	33 806
Comprehensive income			224		3 085	3 309
Redemption of preferred shares		(1 225)				(1 225)
Interest on preferred shares			(27)			(27)
BALANCE ON DECEMBER 31, 2022	11 594 $	$	22 620 $	$	1 649 $	35 863 $
Comprehensive income			3 122		(1 545)	1 577
BALANCE ON DECEMBER 31, 2023	**11 594 $**	**$**	**25 742 $**	**$**	**104 $**	**37 440 $**

Statement of Cash Flows

Fiscal year ending December 31
(in thousands of Canadian dollars, unless otherwise specified)

OPERATING ACTIVITIES	**2023**	2022 Restated (Note 4)
Net income	**3 122 $**	224 $
Non cash items		
Expenses (income) under insurance contracts (Note 17)	**(6 829)**	(1 329)
Expenses (income) under reinsurance treaties (Note 17)	**3 750**	(2 678)
Depreciation of tangible capital assets	**215**	230
Depreciation of intangible assets	**2 365**	2 366
Depreciation of right-of-use assets	**164**	167
Losses (gains) on investments	**(3 450)**	2 689
Pension plans charges	**448**	1 002
Deferred income taxes	**(640)**	(881)
Interest on lease obligations	**91**	94
	(764)	1 884
Reduction (increase) of other operational assets and liabilities		
Assets or liabilities under reinsurance treaties (Note 17)	**(5 471)**	1 380
Assets or liabilities under insurance contracts (Note 17)	**10 372**	3 678
Operational debtors	**(1)**	2
Current income taxes receivable	**2 024**	(1 323)
Other asset items, excluding pension plans assets	**(5)**	(5)
Operational creditors	**149**	90
Payable income tax liabilities	**775**	
Contributions to pension plans	**(435)**	(422)
	6 644	5 284
INVESTING ACTIVITIES		
Acquisitions		
Investments	**(6 033)**	(10 182)
Tangible capital assets	**(110)**	(112)
Dispositions		
Investments		7 422
Tangible capital assets		11
	(6 143)	(2 861)
FINANCING ACTIVITIES		
Repayment of lease obligations	**(245)**	(230)
Redemption of preferred shares		(1 225)
Interest on preferred shares		(27)
	(245)	(1 482)
Increase (decrease) in cash and cash equivalents	**256**	941
Cash and cash equivalents, beginning of year (Note 12)	**3 049**	2 108
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 12)	**3 305 $**	3 049 $

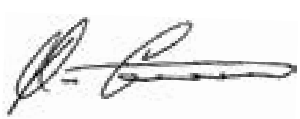
Balance Sheet

As at December 31
(in thousands of Canadian dollars, unless otherwise specified)

ASSETS	**As at December 31 2023**	As at December 31 2022 Restated (Note 4)	As at January 1 2022 Restated (Note 4)
LIQUIDITIES AND INVESTMENTS			
Cash and cash equivalents	**3 305 $**	3 049 $	2 108 $
Investments (Note 13)	**51 591**	42 108	42 037
	54 896	45 157	44 145
PREMIUMS RECEIVABLE AND OTHER DEBTORS			
Accrued investment income	**22**	17	1
Other debtors	**31**	35	53
	53	52	54
CURRENT INCOME TAX ASSETS		2 024	701
Assets under reinsurance treaties held (Note 17)	**9 711**	7 990	6 692
OTHER ASSETS			
Pension plan assets (Note 9)	**2**		
Others	**33**	28	23
	35	28	23
DEFERRED INCOME TAX (Note 10)	**1 127**		161
RIGHT-OF-USE ASSETS (Note 14)	**961**	1 160	1 305
TANGIBLE CAPITAL ASSETS (Note 15)	**2 569**	2 674	2 817
INTANGIBLE ASSETS (Note 16)	**6**	2 371	4 737
	69 358 $	61 456 $	60 635 $

Commitments and contingencies (Note 24)

FOR THE BOARD OF DIRECTORS



Denis Larivière, President

François Chartier, Vice-president

Balance Sheet

As at December 31
(in thousands of Canadian dollars, unless otherwise specified)

LIABILITIES	As at December 31 2023		As at December 31 2022 Restated (Note 4)		As at January 1 2022 Restated (Note 4)	
Liabilities under insurance contracts (Note 17)	**26 475**	**$**	22 932	$	20 583	$
CREDITORS						
Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale	**393**		285		124	
Accrued expenses and other suppliers (Note 19)	**484**		443		528	
	877		728		652	
CURRENT INCOME TAX LIABILITIES	**775**					
PENSION PLAN LIABILITIES (Note 9)	**2 601**		484		4 101	
DEFERRED INCOME TAX (Note 10)			70			
LEASE OBLIGATIONS (Note 20)	**1 190**		1 379		1 493	

EQUITY						
Contributed surplus	**11 594**		11 594		11 594	
Preferred shares (Note 22)					1 225	
Retained earnings	**25 742**		22 620		22 423	
Accumulated other comprehensive income (Note 22)	**104**		1 649		(1 436)	
	37 440		35 863		33 806	
	69 358	**$**	61 456	$	60 635	$

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

1 STATUTE AND NATURE OF OPERATIONS

Promutuel Vallée de l'Outaouais, société mutuelle d'assurance générale (the « Company »), incorporated under the Insurers Act, transacts general insurance with its members. These operations are done in Canada only. The head office is located at 1400, boulevard Gréber, Gatineau, (Québec), J8R 0E1, Canada.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES

The material information on accounting policies described below has been consistently applied by the Company in all the periods presented in these financial statements, unless otherwise specified. See Note 4 for the new accounting policies applied during the year.

PRINCIPLES OF PRESENTATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies and the financial information presented are consistent with the recommendations of the International Accounting Standards Board (IASB).

The Company's financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The financial information is presented in Canadian dollars rounded to the nearest thousand dollars, unless otherwise specified. The financial statements are prepared at historical cost, with the exception of the following assets and liabilities, which are measured at fair value or taking into account IFRS-17:

- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income;
- Assets under insurance contracts;
- Assets under reinsurance treaties held;
- Liabilities under insurance contracts;
- Liabilities under reinsurance treaties held.

The balance sheet is presented on an unordered basis. The elements indicated for each item may include both current and non-current balances. Where applicable, the distribution of these balances as current and non-current is shown in the corresponding notes.

The financial statements were approved by the Company's Board of Directors on February 27, 2024.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents include the cash items readily available or convertible into cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of cash balance.

FINANCIAL INSTRUMENTS — FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are initially recognized at fair value and grouped into one of the following classifications: financial assets or liabilities at fair value through profit or loss, financial assets or liabilities at amortized cost, and financial assets at fair value through comprehensive income. The classification of financial instruments is generally based on the economic model according to which a financial asset is managed as well as based on the characteristics of its contractual cash flows.

Financial instruments are subsequently recognized according to their classification as described below:

Financial assets and liabilities	Classification
Cash and cash equivalents	Amortized cost
Limited partnerships	At fair value through profit or loss
Promutuel Reinsurance and Guarantee Fund Promutuel	At fair value through profit or loss
Other accounts receivable	Amortized cost
Accounts payable	Amortized cost

The financial instruments with a standard delivery time are recorded according to the settlement date. Transaction costs related to financial assets held at fair value through profit and loss are recorded in the investment income to the income. Transaction costs of other financial instruments are included in the book value at initial recognition. Income on investments is calculated using the accrual accounting method and is presented net of fees. Gains and losses on disposal are calculated using the average cost.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

FINANCIAL INSTRUMENTS — FINANCIAL ASSETS AND LIABILITIES (CONT'D)

At acquisition, the Company classifies its financial instruments in one of the following categories :

a) At fair value through profit or loss

Financial assets that do not meet the conditions of measurement at amortized cost or at fair value through other comprehensive income ("FVTOCI") are measured at fair value through profit or loss ("FVTPL"). Specifically:

- Investments in equity instruments are classified at FVTPL;
- Debt instruments that do not meet the amortized cost or FVTOCI criteria are classified at FVTPL.

In addition, a debt instrument that meets the criteria for measurement at amortized cost or at the FVTOCI may be designated as being at FVTPL at initial recognition if such designation eliminates or significantly reduces an inconsistency in the measurement or recognition of assets or liabilities ("accounting mismatch") that would arise from measuring assets or liabilities or recognizing gains or losses on them on different bases. The Company has not designated any debt instruments as being at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with gains or losses being recognized in net income.

Net profit or loss recognized in net income includes dividends or interest received on financial assets and is included under *Net Investment Income* .

b) At amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- Holding the financial asset is part of an economic model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise, at specified dates, to cash flows which correspond only to principal repayments and interest payments on the remaining principal owed.

The effective interest rate method consists in calculating the amortized cost of a debt instrument and allocating interest income during the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash inflows, excluding expected credit losses, over the expected life of the debt instrument or, if appropriate, over a shorter period, at the gross book value at initial recognition of the borrowing instrument. The amortized cost of a financial asset is the value attributed to it at initial recognition, less principal repayments, plus accumulated amortization, calculated using the effective interest rate method, of any difference between that initial value and the value at maturity, and adjusted for the loss allowance, if applicable. The gross carrying amount of a financial asset is its amortized cost, excluding any loss allowance. Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except for financial assets that have subsequently become impaired financial assets. For financial assets that have subsequently become impaired financial assets, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset.

c) At fair value through other comprehensive income

Financial assets at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these financial assets resulting from foreign exchange gains and losses, impairments or impairment reversals and interest income calculated using the effective interest rate method are recognized in net income. The amounts that are recognized in net income are the same as the amounts that would have been recognized in net income if these financial assets had been measured at amortized cost. All other changes in the carrying amount of these financial assets are recognized in other comprehensive income and cumulative gains (losses) on assets at FVTOCI. When these financial assets are derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified as net income.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

FINANCIAL INSTRUMENTS — FINANCIAL ASSETS AND LIABILITIES (CONT'D)

d) Financial liabilities at amortized cost

Applicable before January 1, 2023, in accordance with IAS 39

Financial instruments classified as other financial liabilities are recognized at amortized cost using the effective interest rate method. Interest calculated using this method is recognized in net income. If the financial instrument is derecognized, gains and losses are recognized in net income.

Applicable as of January 1, 2023 in accordance with IFRS 9

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest calculated using this method is recognized in net income.

The Company derecognizes financial liabilities if, and only if, the Company's liabilities have been executed, are cancelled or have expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid and due is recognized in net income. Where the Company exchanges with an existing lender a debt instrument for another debt instrument with substantially different terms, this exchange is recognized as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company recognizes a material change in the terms of an existing financial liability or a portion of an existing financial liability as an extinguishment of the original financial liability and the recognition of a new financial liability. If the change is not material, the difference between the carrying amount of the liability before the change and the present value of the cash flows after the change must be recognized in net income as profit or loss on modification in *Net Investment Income*.

IMPAIRMENT OF FINANCIAL ASSETS

The Company recognizes a loss allowance for expected credit losses on financial assets at FVTOCI and at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk that have occurred since the initial recognition of the corresponding financial instrument.

The Company recognizes expected credit losses over the lifetime when there has been a significant increase in credit risk since initial recognition. However, if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company must assess the loss allowance of that financial instrument at an amount corresponding to the amount of the expected credit losses for the next 12 months.

The expected credit losses for the life of a financial instrument are the expected credit losses arising from all cases of default that a financial instrument may experience during its expected life. In comparison, credit losses expected over the next 12 months are defined as the portion of expected credit losses over the life of the financial instrument that represents the expected credit losses from cases of default that a financial instrument may experience within 12 months following closing.

a) Significant increase in credit risk

To determine whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of default at the closing date against the risk of default at the date of initial recognition of the financial instrument. In making this determination, the Company considers quantitative and qualitative information that is reasonable and justifiable, including past experience and prospective information that can be obtained without incurring unreasonable costs or effort. The forward-looking information considered includes the future outlook for the sectors in which the Company's debtors conduct their activities based on reports prepared by economic experts, financial analysts, government agencies, relevant think tanks and other similar organizations, as well as various external sources of economic information and forecasts related to the Company's core business.

Regardless of the result of the above assessment, the Company assumes that the credit risk of a financial asset has increased significantly since the initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and justifiable information that demonstrates that the credit risk has not increased.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

b) Definition of default

The Company considers the following to be a default for internal credit risk management purposes as past experience indicates that financial assets that meet any of the following conditions are generally not recoverable:

- Breach of restrictive financial covenants by a debtor;
- Information prepared internally or from external sources indicates that it is unlikely that the debtor will fully repay its creditors, including the Company (regardless of collateral held by the Company).

Notwithstanding the above analysis, the Company considers a default to have occurred when a financial asset is more than 90 days past due, unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

c) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events with a detrimental impact on its estimated future cash flows have occurred. Evidence of impairment of a financial asset includes observable data on the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or past-due event;
- Granting by the lender(s) to the borrower, for economic or contractual reasons related to the financial difficulties of the borrower, of one or more favours that the lender(s) would not otherwise have considered;
- Increasing likelihood that the borrower will enter bankruptcy or other financial restructuring;
- Dissolution of an active market for that financial asset due to financial difficulties.

d) Measurement and recognition of expected credit losses

The measurement of expected credit losses is based on the probability of default, losses in the event of default (i.e., the magnitude of losses if the default occurs), and exposure in the event of default. The assessment of the probability of default and losses in case of default is based on historical data adjusted based on forward-looking information, as indicated above. Exposure in the event of default, for its part, corresponds to the gross carrying amount of the assets at closing.

Expected credit losses are measured as the difference between the total contractual cash flows due to the Company under the terms of the contract and the total cash flows the Company expects to receive, discounted at the original effective interest rate. If, for the previous reporting period, the Company has measured the loss allowance of the financial instrument in the amount of expected credit losses over the life of the financial instrument, but that it has determined on the closing date of the period in question that the conditions relating to the expected credit losses for the life of the loan are no longer met, it measures the loss allowance on the closing date of the relevant period in the amount of the credit losses expected for the next 12 months, except for assets for which the simplified method was used.

The Company recognizes a gain or loss in value and an adjustment corresponding to the carrying value of financial assets through a loss allowance, except for investments in bonds that are valued at FVTOCI, for which the write-off is recorded in Other Comprehensive Income and accumulated in the gains (losses) on assets at FVTOCI, and does not reduce the carrying amount of the financial asset on the balance sheet.

DERECOGNITION OF FINANCIAL ASSETS

The Company only derecognizes a financial asset if the contractual rights to the cash flows of the asset have expired, or if the Company transfers to another entity the financial asset and virtually all of the risks and benefits inherent in the ownership of the asset. When a financial asset measured at amortized cost is derecognized, the difference between the carrying amount of the asset and the sum of the consideration received or receivable is recognized in net income.

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

FOREIGN CURRENCIES

Transactions in foreign currencies are converted at the exchange rates in effect at the date of the transactions. Financial instruments denominated in foreign currencies are converted at the exchange rate in effect at the end of the fiscal year. Foreign exchange gains and losses are recognized in net investment income, except for financial instruments classified as available for sale, which are instead recorded in other comprehensive income until the assets are sold or impaired.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at the historical cost less the accumulated depreciation and the accumulated losses in value. The historical cost takes into account all the costs directly attributable to the acquisition.

Land is not amortized. The depreciation of other tangible capital assets is calculated on the significant components that have homogenous useful lives, in order to amortize the initial cost on the estimated useful lives, taking into account the residual value. Depreciation methods as well as rates of terms are shown below.

Categorie	Method	Rate or term
Building	Declining balance	4 % and 8 %
Leasehold improvements	Straight-line	Duration of the lease
Furniture and equipment	Declining balance	10 %, 20 % and 30 %
Automobile	Declining balance	30 %

The useful life, the depreciation methods and the residual value are reviewed annually taking into account the nature of the assets, the intended use and technological changes. The gains or losses on disposal represent the difference between the proceeds of disposal and the book value. Depreciation and gains or losses on disposal are presented in “Insurance service expenses” when they are attributable to insurance activities; otherwise they are presented in “Other charges”.

INTANGIBLE ASSETS

The intangible assets are recorded at cost and amortized over their useful lives using the following methods and rates :

Categorie	Method	Rate or term
Clientele	Straight-line	5 years

The useful life, the depreciation methods and the residual value are reviewed annually taking into account the nature of the assets, the intended use and technological changes. The gains or losses on disposal represent the difference between the proceeds of disposal and the book value. Clientele amortization and gains or losses on disposal are presented in “Insurance service expenses” when they are attributable to insurance activities; otherwise they are presented in "Other charges".

DEPRECIATION OF LONG-TERM ASSETS

When major events or circumstances that may indicate a loss in value occur, the Company re-evaluates the book value of long-term assets. A loss in value exists when the book value of the asset exceeds its recoverable amount. The asset's recoverable amount is considered the highest value between its fair value less the sale costs and its useful life value. The amount of any loss in value represents the excess of the net book value over the recoverable fair value and is charged to the income statement.

OTHER PROVISIONS

The Company recognizes a provision when there is an obligation to a third party resulting from a past event and when it is probable that an outflow of economic resources will be required to settle the obligation and when the amount related to this obligation can be estimated reliably. The amount of the provision is the best estimate of the consideration required to the release of the current obligation, given the risks and uncertainties related to the obligation. The contingent liabilities are disclosed if the future obligation is probable and the amount relating to that obligation cannot be reasonably estimated.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

INCOME TAXES

The Company accounts for income taxes on comprehensive income according to the asset liability method. The provision for income taxes on comprehensive income includes two components: current income taxes and deferred income taxes. Current income taxes consist of amounts that should be payable or recoverable following the current year's operations. Deferred income taxes, calculated on an undiscounted basis, result from changes during the year in the cumulative timing differences between the carrying amount of the assets and liabilities and their respective tax bases, using the income tax rates in effect or substantively enacted rates for the annual periods during which the differences are expected to reverse. A deferred income tax asset is recorded based on the probability of future use of the income tax advantage. The impact on deferred income taxes of a change in income tax rates is recognized in net income, except for income tax related to other comprehensive income, in which case, the impact of a change in income tax rates is recognized in other comprehensive income.

There are uncertainties regarding the interpretation of complex income tax rules that affect the amount as well as the moment of realization of income taxes on the income. Given this complexity, adjustments to income taxes already recognized may be required to account for differences between actual income statements and the provisions made. The amount of these provisions is established by taking into account certain factors including the results of tax audits and differing opinions between the Company and the tax authorities as to the rules relating to income tax.

EQUITIES

Preferred shares are presented at the nominal value at which the shares were issued. Interest on preferred shares is included in the equities in the year the payment is approved by the Board of Directors.

The retained earnings include the income statements of previous years and the current one. The accumulated other comprehensive income consists of unrealized gains and losses on financial assets available for sale and actuarial gains (losses) on pension plans net of income taxes.

Members' dividends are included in liabilities and in the income statement in the year in which the payment is approved by the Board of Directors.

INSURANCE CONTRACTS

<u>Contract classification and separation of components</u>

The Company must determine whether its insurance contracts should be recognized under IFRS 17 or other standards.

In the normal course of business, the Company issues insurance contracts under which it accepts insurance risks. It also has a reinsurance treaty to limit its exposure to insurance risk. Contracts issued by the Company are classified as insurance contracts when the Company accepts a significant insurance risk for another party (the "policyholder") by agreeing to indemnify the policyholder if a specified future uncertain event (the "insured event") adversely affects the policyholder. The insurance risk is significant if an insured event may result in the payment of significant additional amounts by the Company to the policyholder in any scenario with a commercial substance – even if the insured event is extremely unlikely or the actuarial expectation of discounted potential cash flows represents only a small portion of the actuarial expectation of the remaining discounted cash flows of the insurance contract. The Company determines whether it has significant insurance risk by comparing the benefits payable or receivable after a loss with the benefits payable or receivable had the loss not occurred. This assessment is done for each contract, on the date the contract is issued.

In making this assessment, the Company takes into account all of its substantive rights and obligations, whether arising from contractual, legal or regulatory provisions.

The insurance contracts and reinsurance contracts held by the Company are all contracts that must be recognized under the insurance contracts standard.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

INSURANCE CONTRACTS (CONT'D)

Aggregation of set or series of contracts

The Company may enter into two or more contracts at the same time with the same counterparties or with counterparties related to it, to exercise an overall commercial effect. The Company recognizes such a set of contracts as a single insurance contract when it reflects the substance of the contracts. In making this assessment, the Company considers whether:

- Rights and obligations differ depending on whether contracts are reviewed collectively or individually;
- The Company is unable to assess one contract without considering the other.

Separation of components

The Company reviews its insurance and reinsurance contracts to determine whether they contain components that must be recognized under another standard. The Company's contracts do not include any separate components that require separation.

Level of aggregation of contracts

Insurance and reinsurance contracts are subject to aggregation into portfolios and groups for measurement purposes. Portfolios consist of contracts with similar risks that are managed together.

Each portfolio is subdivided into groups of contracts, which are subject to the recognition and measurement provisions of IFRS 17. At initial recognition, the Company separates the contracts by date of issue. A cohort contains all the contracts that were issued over a 12-month period. Each cohort is further subdivided into three contract groups:

- Contracts that are onerous at initial recognition;
- Contracts which, at initial recognition, have no significant possibility of becoming subsequently onerous;
- Other contracts, if such contracts exist.

The Company exercises judgment to determine at what level of detail it has sufficient information to conclude that all contracts part of a set will be part of the same group. In the absence of such information, the Company assesses each contract individually. The composition of the groups established at initial recognition is not subsequently re-assessed.

The Company assumes that none of the contracts are onerous at initial recognition, unless the facts and circumstances indicate otherwise. The Company assesses the likelihood of a change in the applicable facts and circumstances to determine whether the contracts, which are not onerous at initial recognition, are part of a group of contracts that do not have a significant likelihood of becoming so in the future.

Recognition

The Company recognizes groups of insurance contracts issued on or after the earlier of:

- The start date of the coverage period of the group of contracts;
- The date on which the first payment of a group policy holder becomes due;
- The date on which a group of contracts becomes onerous.

Contract boundary

The measurement of the group of insurance contracts includes all future cash flows that should be included in the boundary of each insurance contract in the group.

To determine the cash flows within the contract boundary, the Company must analyze both its substantive rights and obligations arising from the terms of the contract as well as from applicable laws and regulations in addition to standard business practices. The Company determines that the cash flows are included in the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the entity may compel the insurance contract holder to pay the premiums or in which the Company has a substantive obligation to provide the contract holder with services under the insurance contract.

Insurance contract measurement methods

The Company applies the Premium Allocation Approach (PAA) to all of its insurance contracts. The coverage period for each contract in the groups does not exceed one year.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

INSURANCE CONTRACTS (CONT'D)

Insurance contract measurement methods (cont'd)

At initial recognition, the Company measures the liability for remaining coverage in the amount of premiums received in cash. Premiums owed to the Company for services under insurance contracts already provided during the period, but not yet received at the end of the reporting period, are included in the liability for remaining coverage. The carrying amount of the liability for remaining coverage at the end of each subsequent reporting period corresponds to the carrying amount at the beginning of the reporting period, adjusted for premiums received during the period and the amount recognized as insurance service revenue for services provided under insurance contracts during the period.

The Company has determined that its insurance contracts with a coverage period of up to one year do not have a significant financing component. The Company does not discount the liability for remaining coverage to account for the time value of money and the effect of the financial risk of such insurance contracts.

The carrying amount of the liability for incurred claims is measured using the general model. At initial recognition, at the end of each reporting period, the carrying amount of the group of insurance contracts includes an estimate of the liability for incurred claims at that date. The liability for incurred claims includes the obligation to settle valid claims for insured events that have already occurred and other expenses related to past insurance services and includes the obligation related to claims that have occurred, but not yet reported. The current estimate of the liability for incurred claims includes the fulfilment cash flows related to current and past services allocated to the group at the closing date.

Fulfilment cash flows

Fulfilment cash flows are current, objective and probability-weighted estimates of the present value of future cash flows, including a non-financial risk adjustment. To obtain a probability-weighted average, the Company considers various scenarios to take into account the full range of possible outcomes, while considering all reasonable and justifiable information that can be obtained without undue cost or effort on the amount, timing and uncertainty of expected future cash flows. Estimates of future cash flows reflect conditions existing at the valuation date, including assumptions at that date as to the future.

Cash flows from acquisition costs

Cash flows from acquisition costs arise from the cost of sales, underwriting, and start-up of a group of insurance contracts issued or to be issued that are directly attributable to a portfolio of insurance contracts. Such cash flows include direct costs such as agents' commissions and premium taxes, as well as indirect costs such as salaries, rent, and technology and other costs. The Company has elected to amortize these costs on a straight-line basis over the coverage period of the groups of insurance contracts to which they

Discount rates

Future cash flow estimates should be updated to reflect the time value of the money and the financial risks that reflect the characteristics of the liabilities and the duration of each portfolio. Since the Company is using the PAA, only the liability for incurred claims and the loss component, calculated in the event that a group of contracts is onerous, are discounted. The Company establishes discount rate curves using a so-called hybrid method where a liquidity premium is added to the risk-free yield curve. This liquidity premium reflects the characteristics of insurance contracts. The risk-free yield curve is determined using federal bonds. Liquidity premiums are based on provincial or corporate bonds rated BBB or higher. Market, credit, and currency risks are excluded from liquidity premiums.

Non-financial risk adjustment

The measurement of liabilities and assets for incurred claims for insurance contracts issued and reinsurance contracts held, and the loss component of the liability for remaining coverage for insurance contracts includes a non-financial risk adjustment. The non-financial risk adjustment ("NFRA") reflects the compensation that the entity requires to cover the uncertainty related to the amount and timing of the estimated flows. The method used is the margin method. The non-financial risk adjustment is determined for all mutual insurance associations that are members of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and allocated to analysis categories based on the risk profile of each of these categories. Diversification is also reflected in these analysis categories. Such diversification is determined using a correlation matrix technique. The margin method and diversification are applied on a gross and net reinsurance basis, and the difference between the two results is used to determine the non-financial risk adjustment applicable to the contracts held.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

INSURANCE CONTRACTS (CONT'D)

Onerous contracts

Under the PAA, upon initial recognition, the Company assumes that no group of contracts is potentially onerous unless the facts and circumstances indicate otherwise.

A quantitative assessment is done at the end of the fiscal year to determine whether a group of contracts may be onerous at initial recognition. In addition, if a fact or circumstance indicates that a group of contracts may become onerous during the year, the Company will also conduct a quantitative assessment. This calculation determines whether the carrying amount of the liability for remaining coverage determined under the PAA is less than the estimate resulting from the quantitative assessment, which would result in a loss component. The loss component is determined based on a model in which the fulfilment cash flows related to premiums and claims are estimated at the initial recognition date. Flows include the time value of money as well as the non-financial risk adjustment. If the measurement is equivalent to a net cash outflow, it will be included in the liability for remaining coverage and in net income. The loss element is mitigated by a loss recovery component if onerous contracts are covered by reinsurance.

Reinsurance treaties held

In the normal course of business, the Company uses reinsurance to limit its exposure to insurance risk. Reinsurance means the transfer of an insurance risk and premium to a reinsurer. The Company presents the reinsurance balances on the basis of gross balance on the balance sheet and income statement to show the obligations to policyholders as well as the magnitude of the credit risk associated with reinsurance transactions.

Reinsurance treaties held are recognized under IFRS 17 if they meet the definition of insurance contract. This includes the condition that the contract must transfer significant insurance risk. Reinsurance treaties only transfer significant insurance risk if they transfer to the reinsurer virtually all of the insurance risk associated with the reinsured portion of the underlying insurance contracts, even if they do not expose the issuer (the reinsurer) to a potential significant loss.

To group the reinsurance treaties held, the Company delineates the portfolios in the same way as it does the portfolios of underlying insurance contracts issued. The Company considers that it holds only one separate reinsurance portfolio.

The Company divides the reinsurance treaties held that make up a portfolio into three groups:

- Contracts which, at initial recognition, generate a net profit;
- Contracts which, at initial recognition, have no significant possibility of subsequently generating a net profit;
- Any reinsurance contract still held in the portfolio.

The Company applies the PAA to all its reinsurance treaties held. The Company uses the same accounting policies to measure a group of reinsurance treaties held as those used for a group of insurance contracts, adjusted where necessary to reflect characteristics that differ from those of insurance contracts.

Under the PAA, the initial measurement of the asset for remaining coverage is equal to the reinsurance premium paid. The Company measures the amount relating to remaining services by spreading the premium paid over the group's coverage period. For all reinsurance treaties held, this allocation is based on the passage of time.

The Company assumes that the reinsurance treaties held will not result in a net profit at initial recognition, unless the facts and circumstances indicate otherwise.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

INSURANCE CONTRACTS (CONT'D)

Reinsurance treaties held (cont'd)

Where the reinsurance treaties held cover an onerous group of underlying insurance contracts, the Company adjusts the carrying amount of the asset for remaining coverage and recognizes a profit where, during the same period, it recognizes a loss at initial recognition of an onerous group of underlying insurance contracts or when onerous underlying insurance contracts are added to a group. The recognition of this profit results in the recognition of the loss recovery component of the asset for remaining coverage of a group of reinsurance treaties held.

Modification and derecognition

The Company derecognizes the initial contract and recognizes the amended contract as a new contract, if the terms of the insurance contract are modified and the following conditions are met:

- If the modified conditions had been anticipated at the time the contract was entered into, the Company would have concluded that the amended contract:
  - Falls outside the scope of IFRS 17;
  - Results in a different insurance contract after separation of components from the host contract;
  - Results in a substantially different contract boundary;
  - Would have been classified in a different group of insurance contracts. The original contract met the definition of an insurance contract with direct participation features, but the amended contract no
- The original contract was recognized via the PAA, but the amended contract no longer meets the conditions required for the application of this method.

The Company adjusts insurance service revenue on a prospective basis as of the date of the contract amendment.

The Company will derecognize an insurance contract if, and only if, the contract is:

- Extinguished (when the liability specified therein expires or is settled or terminated);
- Modified (and the change meets the criteria for derecognition).

Presentation

Insurance contract portfolios, as well as the portfolio of reinsurance treaties held, are presented separately on the statement of financial position, based on their respective asset or liability balances.

The Company does not break down the change in the non-financial risk adjustment between financial and non-financial risk. It reports the total variation in the insurance service result.

Insurance service revenue

The Company issues insurance contracts as well as reinsurance treaties held. All these contracts are recognized under IFRS 17, *Insurance Contracts* by applying the PAA.

Since the Company provides insurance services under a group of insurance contracts issued, it reduces its liability for remaining coverage and recognizes insurance service revenue, which is measured at the amount of the consideration to which the Company believes it is entitled in exchange for such services.

In applying the PAA, the Company recognizes the insurance service revenue for the period based on the passage of time, by allocating expected premium receipts, including experience adjustments arising from premiums, between periods of service. However, when the expected pattern of release of risk during the coverage period differs significantly from the passage of time, premium receipts are allocated based on the expected pattern of insurance service expenses incurred. The Company issues insurance contracts with different incurred claims profiles. For these groups of contracts, revenues are recognized based on expected incurred claims trends.

Insurance service expenses

Insurance service expenses include contract fulfilment cash flows and acquisition cash flows. Costs include expenses directly attributable to insurance contracts as well as the allocation of overhead costs.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

INSURANCE CONTRACTS (CONT'D)

Net income from reinsurance treaties held

Revenues or expenses related to reinsurance treaties held are divided into the following two amounts:

- Amount recovered from reinsurers;
- Allocation of premiums paid.

Financial income or expenses for insurance and reinsurance contracts

Financial income or expenses for insurance and reinsurance contracts reflect the impact of the time value of money and the change in the time value of money, as well as the effect of the financial risk and variation of the financial risk of a group of insurance contracts and a group of reinsurance treaties held.

The Company does not discount the liability for remaining coverage to reflect the time value of money and the financial risk of insurance contracts with a coverage period of up to one year.

GROUPEMENT DES ASSUREURS AUTOMOBILES

Groupement des assureurs automobiles (GAA) manages the Risk Sharing Plan (RSP), a tool to promote access to car insurance. An insurance company that does not want to keep a higher-risk client in its portfolio may transfer the client to the RSP. In that way, all insurers that underwrite car insurance in Québec collectively insure the risk based on market share in Québec. The Company does not make a distinction in applying accounting policies for insurance contracts that are transferred to the RSP.

EMPLOYEE BENEFITS

Short-term benefits

These are benefits payable within twelve months after the balance sheet date other than termination benefits, such as salaries, commissions, social security contributions and certain bonuses. An expense is recognized in respect of these short-term benefits for the period during which the services giving rise to such benefits were rendered.

Post-employment benefits

The employees and the Company participate in multi-employer defined benefit pension plans that include Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and the mutual company members of the group. The plans provide pension benefits for its employees and managers determined by the number of years of service and average salary by the end of the career. The calculation is performed at each balance sheet date and the individual data on employees are reviewed annually by the appointed actuary.

Service cost, which includes current and past service costs, is recognized in the income statement. Interest expense is calculated by applying the discount rate to pension plans liabilities or assets for the period. The discount rate is determined in reference to the rates of return of the high quality corporate bonds market. Interest expense is posted in the income statement under interest on financing.

Actuarial gains (losses) result from the spread between the actual return and the discount rate of plans over funded pension plan assets, modifications to the actuarial assumptions used to determine defined benefit plan obligations and experience gains or losses on this obligation. All actuarial gains and losses are immediately recognized in the accumulated other comprehensive income.

Defined pension plans assets or liabilities are calculated as the discounted value of the obligation for these plans net of the fair value of pension plan assets.

LEASE CONTRACTS

On the lease commencement date, a right-of-use asset and a lease obligation are recognized. The right-of-use asset is measured at cost on initial recognition, which corresponds to the value of the lease obligation adjusted to reflect all lease payments made on or before the commencement date, less any lease inducements received.

The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses.The Company calculates depreciation on a straight-line basis over the term of the lease. Right-of-use assets are amortized over periods ranging from 5 to 15 years.

2 MATERIAL INFORMATION ON ACCOUNTING POLICIES (CONT'D)

LEASE CONTRACTS (CONT'D)

The lease obligation is initially measured at the present value of the lease payments that have not yet been paid as at the commencement date, calculated using the rate implicit in the lease or, if that rate cannot be readily determined, using the incremental borrowing rate generally used by the Company. The lease term includes the non-cancellable period of the lease including extension and termination options if the Company is reasonably certain to exercise the option. Payments under the lease include fixed payments, fees that vary according to indices or rates in effect at the beginning of the lease, an estimated amount for any guaranteed residual value, and amounts that the Company is reasonably assured to pay to exercise a purchase or renewal option or for a penalty. The lease obligation is subsequently remeasured at amortized cost using the effective interest rate method. The lease obligation is remeasured when changes in estimates are made by the Company or when it exercises an extension or termination option. In such a case, a corresponding adjustment is made to the right-of-use asset.

The Company elected to use the exemption for leases with terms of 12 months or less and for leases where the underlying asset has a low value. As a result, these leases are recorded on a straight-line basis in operating expenses.

Right-of-use assets (Note 14) and lease obligations (Note 20) are presented separately in the Company's balance sheet. Interest expense is presented separately in income and depreciation is presented in "Insurance service expenses" when the expense is attributable to insurance activities; otherwise it is presented in "Other charges".

FAIR VALUE MEASUREMENT

The fair value is the amount at which a financial instrument could be exchanged between knowledgeable, willing parties who are under no compulsion to act. The fair value is established on the basis of bid prices in an active market. If this is not the case, the fair value is based on market prices prevailing for instruments with similar risk profiles or characteristics or on internal or external valuation models that use observable market data. Note 27 explains these bases for calculation in greater detail.

OPERATIONS WITH GROUPE PROMUTUEL INSTITUTIONS

The Company enters into operations with Groupe Promutuel institutions. These operations are performed in the ordinary course of business and are measured at the value of exchange established and agreed upon by the parties. The main operations are presented separately in the financial statements.

3 USE OF MANAGEMENT ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can have a significant impact on the reported amounts presented in the financial statements. Actual results may differ from the estimates. The estimates and underlying assumptions are reviewed regularly. Any revisions to accounting estimates are recognized in the year in which estimates are revised as well as in futures periods affected by these revisions.

Critical judgments made when applying accounting policies

Financial statements require management's judgment in accounting for financial instruments, classification of assets held for sale, assessment of the lease term and discount rate when recognizing lease obligations, determination of capital asset components, and assessment of impairment. In addition, insurance and reinsurance contracts require the use of judgment in several situations, as described below.

INSURANCE AND REINSURANCE CONTRACTS

The following analysis presents critical judgments, excluding those involving estimates. made by management in the application of the Company's accounting policies and which had the greatest impact on the amounts recognized in the financial statements in respect of insurance and reinsurance contracts.

3 USE OF MANAGEMENT ESTIMATES AND JUDGMENTS (CONT'D)

INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

Assessment of insurance risk magnitude: The Company exercises its judgment in determining whether a contract transfers significant insurance risk to the issuer. A contract transfers a significant insurance risk if, and only if, an insured event may cause the Company to pay additional amounts that are significant in any scenario, and only if there is a scenario with a commercial substance in which there is a possibility that the issuer will suffer a loss based on the present value in the event the insured event should occur, even if the insured event is extremely unlikely. Assessing whether the additional amounts to be paid upon the occurrence of an insured event are significant and whether there is a scenario with a commercial substance in which there is a possibility that the issuer will suffer a loss on the basis of the present value requires significant judgments and is done individually for each contract, at initial recognition. The types of contracts for which judgment must be exercised are those that transfer financial and insurance risk and in which the insurance component provides the least benefit.

Combined insurance contracts To determine whether a set or series of insurance contracts should be treated as a single contract, significant judgments are required along with a rigorous review. To determine whether a set or series of insurance contracts exercise, or are intended to exercise, an aggregate business effect, the Company considers whether the rights and obligations differ depending on whether they are considered collectively or individually and whether the Company is unable to assess one contract without considering the other.

Separation of uninsurable components of insurance contracts: The Company issues certain insurance contracts that have several components in addition to insurance coverage service. Some of these elements must be separated and recognized by applying other standards, while others are measured according to the insurance contract measurement model. The Company makes significant judgments to determine whether the components meet the separation criteria and whether they should be separated.

Separation of insurance components of an insurance contract: The Company issues insurance contracts that combine the protection offered to the policyholder with coverage against different types of insurance risks in a single contract. IFRS 17 does not require or allow the separation of components of an insurance contract unless the legal form of a single contract does not reflect the substance of its contractual rights and obligations. In this case, separate insurance elements must be recognized. Rebuttal of the presumption that the "contract alone" is the unit of account requires significant judgment and is not an accounting policy choice. In determining whether or not a contract reflects its substance, the Company considers the interdependence between the various risks covered, the capacity of all the components to expire independently of each other, and the capacity to price and sell components separately.

Determination of contract boundary: The measurement of a group of insurance contracts includes all future cash flows within the contract boundary. To determine the cash flows that are within the contract boundary, the Company considers its substantive rights and obligations arising from contractual, legal or regulatory provisions, along with its usual business practices. Cash flows are considered as being outside the contract boundary if the Company has the practical capacity to change the price of an existing contract based on the risk re-assessment and if the price of the contract coverage up to the re-assessment date only takes into account the risks extending to the next re-assessment date. The Company exercises its judgment to determine whether it has the practical capacity to set a price that fully reflects all the risks posed by the contract or portfolio. The Company takes into account contractual, legal and regulatory restrictions when making its assessment and uses its judgement to determine whether such restrictions have commercial substance.

Portfolio identification: The Company defines a portfolio as a set of insurance contracts with similar risks that are managed together. Contracts belonging to the same product line should be part of the same portfolio as they carry similar risks and are managed together. Judgement is required to identify similar risks and determine how the contracts are managed.

Aggregation level: The Company uses its judgment to distinguish between contracts that do not have a significant likelihood of becoming onerous and other profitable contracts.

Assessment of directly attributable cash flows: The Company uses its judgment to determine whether cash flows are directly attributable to a specific portfolio of insurance contracts. Cash flows related to acquisition costs are only included in the measurement of a group of insurance contracts if they are directly attributable to the individual contracts of the Company, the group itself or the portfolio of insurance contracts to which the group belongs. In its estimate of fulfilment cash flows, the Company also includes allocations of fixed and variable overhead costs that are directly attributable to the execution of insurance contracts.

3 USE OF MANAGEMENT ESTIMATES AND JUDGMENTS (CONT'D)

INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

Assessment of the magnitude of a change: The Company derecognizes the initial contract and recognizes the amended contract as a new contract if the derecognition criteria are met. The Company exercises its judgment in determining whether the amended terms of the contract are such that the initial contract meets the derecognition criteria.

Main sources of uncertainty in the Company's estimates

Significant estimates and assumptions regarding assets and liabilities for pension plans are presented in Note 9, while liabilities for insurance and reinsurance contracts are presented below.

The following analysis presents the main estimates that have been used by management in applying the Company's accounting policies and that have had the greatest impact on the amounts recognized in the financial statements in relation to insurance and reinsurance contracts.

Estimates may vary significantly during the fiscal year following their establishment or until final settlement of claims. This variation is due to events that have not yet occurred as of the date of reporting and may not occur for some time. This variation can also be recognized when additional information is available, when there are changes in the interpretation of contracts by the courts, or when there are significant differences from historical trends in the severity or frequency of claims. Estimates are primarily based on the Company's experience. The methods used produce, in the opinion of the Company, reasonable results given the currently known data.

In assessing the insurance and reinsurance contracts in accordance with IFRS 17, the Company has made estimates with respect to the following material items. These estimates are an integral part of the balances of assets and liabilities under insurance contracts and assets and liabilities under reinsurance treaties held:

- Discount rates;
- Non-financial risk adjustment.

Each of these elements, including the Company's estimation methods and assumptions, as well as other sources of uncertainty in the estimates, are described in more detail below.

<u>Method for estimating discount rates</u>

The Company establishes discount rate curves using a "hybrid" method that combines the bottom-up and top-down approaches, where a liquidity premium is added to the rate curve without any risk. This liquidity premium reflects the characteristics of insurance contracts.

Liquidity premiums are defined based on the return of the adjusted benchmark portfolio from which the risk-free return is deducted. The benchmark portfolio is made up of provincial and/or corporate bonds rated BBB or higher. The risk-free yield curve is determined using federal bonds.

The benchmark portfolio is adjusted to eliminate risk characteristics that are not inherent to insurance contracts. Since the modelling is based on bonds, no adjustment for market risk is required. The use of Canadian securities eliminates the currency risk. Credit risk is excluded from liquidity premiums based on default probabilities generated by Moody's. A multiple of 2 is used to account for the risk of unexpected default.

The Company uses the SEC bond funds of the Promutuel Investment Fund as a reference portfolio as well as a complementary portfolio in order to complete the discount curve. The Company uses observable data on the bond market. The Company uses judgment to assess the degree of similarity between the characteristics of a portfolio of reference assets for which observable market information is available and the characteristics of the insurance contracts being evaluated. Given the short claims settlement period, the Company does not have to determine a discount rate beyond the observable period.

The Company uses the market price of credit derivatives as a reference point. The main source of uncertainty regarding the estimates is the determination of discount rates beyond the last observable period for which credit derivatives are available. Another major source of uncertainty in the estimates is in the estimation of the impact of differences in the amount, timing and uncertainty between the cash flows of the benchmark portfolio components and those of the insurance contract group.

(in thousands of Canadian dollars, unless otherwise specified)

3 USE OF MANAGEMENT ESTIMATES AND JUDGMENTS (CONT'D)

INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

Method for estimating discount rates (cont'd)

To obtain the yield curve from the benchmark portfolio, the Company uses observable market data, such as market prices in an active market. The Company uses judgment to assess the degree of similarity between the characteristics of a benchmark assets portfolio for which observable market information is available and the characteristics of the assessed insurance contracts.

The Company used the following rate curves to update cash flows:

	1 year	**3 years**	**5 years**	**10 years**
Liability for incurred claims				
2023	**5.09 %**	**4.72 %**	**4.61 %**	**4.79 %**
2022	5.71 %	4.90 %	4.55 %	4.83 %
Liability for remaining coverage				
2023	**4.84 %**	**4.25 %**	**4.07 %**	**4.28 %**
2022	**5.23** %	4.46 %	4.10 %	4.35 %

Non-financial risk adjustment

The non-financial risk adjustment is the indemnity required by the Company to manage the uncertainty surrounding the amount and timing of cash flows that is generated by the insurance risk and other non-financial risks. Non-financial risks may include several risks, such as the lapse risk and the expense risk. It reflects the degree of variability in expected future cash flows and the Company's price for managing this risk, and reflects the Company's degree of risk aversion. The Company determines the non-financial risk adjustment based on the margin method. The non-financial risk adjustment is determined for all mutual insurance companies that are members of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and allocated to analysis categories (automobile, property and civil liability) based on the risk profile of each of these categories. Diversification is also reflected in these analysis categories. Such diversification is determined using a correlation matrix technique.

The resulting risk adjustment corresponds to a confidence level range of 67% to 71% (68% to 71% in 2022).

4 CHANGES IN ACCOUNTING POLICIES

1) New accounting policies applied

In fiscal 2023, the Company adopted the following new amendments and standards:

IFRS 9 *FINANCIAL INSTRUMENTS*

Prior to the adoption of IFRS 9, the Company applied IAS 39, "Financial Instruments." IFRS 9 requirements regarding classification, measurement and impairment have been applied retrospectively by adjusting the balance sheet amounts. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting.

The Company has elected to apply the classification overlay to restate its comparative information, as permitted by an amendment to IFRS 17. The Company has recognized the measurement differences in IFRS 9 by adjusting its balance sheet. An increase of $1 590 in undistributed surpluses and a decrease of $1 590 in cumulative other comprehensive income as at January 1, 2022 have been recognized.

The nature and major effects of the accounting policy changes are summarized below.

Classification overlay

The classification overlay was applied to all financial assets, including derecognized assets in the comparative period. The Company also applied the impairment provisions of IFRS 9 for the comparative period.

Classification and measurement

IFRS 9 establishes a new financial asset classification and measurement model to determine whether a financial asset should be classified at amortized cost, fair value through profit or loss, or fair value through other comprehensive income. For the classification and measurement of financial liabilities, the new standard essentially reiterates the current requirements of IAS 39.

(in thousands of Canadian dollars, unless otherwise specified)

4 CHANGES IN ACCOUNTING POLICIES (CONT'D)

IFRS 9 *FINANCIAL INSTRUMENTS* (CONT'D)

Classification and measurement (cont'd)

The following table presents the impact on the classification of financial assets as at January 1, 2022 and financial liabilities as at January 1, 2023.

Financial assets and liabilities	**IAS 39 classification**	**IFRS 9 classification**
Cash and cash equivalents*	At fair value through profit or loss	AC
Limited partnerships	Available for sale	FVTPL
Promutuel Reinsurance and Promutuel Guarantee Fund	Available for sale	FVTPL
Other accounts receivable*	Loans and receivables	AC
Accounts payable	Other financial liabilities	AC

* In accordance with the guidelines in the standard, the contractual characteristics of these financial assets result in cash flows that correspond only to principal repayments and payment of interest on principal.

The carrying amount of financial assets and liabilities has not changed following the application of IFRS 9, either as at January 1, 2022 or January 1, 2023.

Impairment model – Expected credit losses

The standard also introduces a unique impairment model for financial assets requiring recognition of expected credit losses rather than recognition of incurred losses as had been required by the prior impairment model. The model provides for recognition of expected credit losses for the next 12 months from the date of initial recognition of a financial asset, then the recognition of expected lifetime losses if the credit risk of the financial instrument in question has increased significantly since initial recognition. This model of expected credit losses applies to all financial assets classified at amortized cost or FVTOCI.

Lastly, IFRS 9 includes a new model for hedge accounting to better align with risk management activities.

Effect on undistributed surpluses and cumulative other comprehensive income

The measurement and impairment adjustments are presented in the undistributed surpluses and cumulative other comprehensive income at the beginning due to their retrospective application at January 1, 2022.

The following table presents the impact on undistributed surpluses and cumulative other comprehensive income at the beginning:

	Undistri-buted surpluses	Cumula-tive other compreh ensive income	Total
Effect of adopting IFRS 9			
Classification and measurement adjustments	2 164 $	(2 164) $	$
Impairment adjustments	(574)	574	
	1 590 $	(1 590) $	$

IFRS 17 *INSURANCE CONTRACTS*

In May 2017, the IASB published IFRS 17, "Insurance Contracts," replacing IFRS 4 of the same name. The aim of IFRS 17 is to ensure that entities provide relevant and representative information about their insurance contracts. It establishes principles for recognizing, measuring, presenting, and disclosing information on insurance contracts.

IFRS 17 was applied retrospectively to each insurance and reinsurance contract portfolio on or after January 1, 2022, such that comparative information was restated.

4 CHANGES IN ACCOUNTING POLICIES (CONT'D)

IFRS 17 *INSURANCE CONTRACTS (CONT'D)*

Financial impact

The effects of adopting IFRS 17 have been recognized through equity adjustments and are disclosed in the statement of changes in equity. Shareholders' equity at January 1, 2022 was reduced by $2057 related to the new principles of recognition and measurement for liabilities under insurance contracts, i.e., $2792 before the adjustment of $735 on net deferred tax assets. In addition, IFRS 17 has led to some reclassifications between assets under insurance contracts and assets under reinsurance treaties held, as well as liabilities under insurance contracts and liabilities under reinsurance treaties held.

Each portfolio of insurance contracts issued and the portfolio of reinsurance treaties held are presented separately on the balance sheet based on their respective balances as assets or liabilities, which resulted in changes to the presentation in relation to IFRS 4.

Considering that the adoption of IFRS 17 resulted in significant changes to the recognition of insurance and reinsurance contracts, certain comparative figures have been restated and the Company has prepared its statement of financial position as at January 1, 2022. As indicated in the transitional provisions of IFRS 17, the Company did not present the effects of the initial application of IFRS 17 to each financial statement item involved.

The nature and major effects of the accounting policy changes are summarized below.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied retrospectively. As of the transition date of January 1, 2022, the Company has:

- Defined, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- Determined, recognized and measured the assets for cash flows from acquisition costs, if any, as if it had always applied IFRS 17;
- Derecognized any existing balance that would not exist if IFRS 17 had always been applied;
- Recognized any net difference arising therefrom directly in the equity.

During the transition to IFRS 17, the Company applied the full retrospective approach. This approach has been applied to all groups of insurance and reinsurance contracts measured using the PAA. The full retrospective approach requires the use of material accounting estimates and management assumptions consistent with the information that would have been available at initial recognition.

Presentation and disclosure

IFRS 17 makes significant changes to the disclosure and presentation of insurance contract information in the financial statements.

The balance sheet and income statement presentation will be modified. A number of elements are now included for each portfolio, in items for assets or liabilities under insurance contracts and assets or liabilities under reinsurance treaties held. The presentation of the following items has been changed so that they are included in the new items:

- Reinsurer's share of provisions for claims being settled;
- Reinsurer's share of provisions for unearned premiums;
- Claims being settled;
- Unearned premiums;
- Deferred expenses and unearned reinsurance commissions;
- Accounts receivable and payable for insurance contracts issued and held.

The groupings in the income statement were also modified to present the performance of the insurance contracts issued separately from the cost of the reinsurance treaties held. The net costs have also been divided equally between the insurance contracts issued and the reinsurance treaties held, depending on their nature.

(in thousands of Canadian dollars, unless otherwise specified)

4 CHANGES IN ACCOUNTING POLICIES (CONT'D)

IAS 12 *INCOME TAXES*

In May 2021, the IASB issued an amendment to IAS 12 "Income Taxes" to change recognition of deferred tax by an entity that recognizes both an asset and a liability in a transaction, as in the case of lease agreements. The provisions of this amendment apply to financial statements beginning on or after January 1, 2023. The changes apply to transactions occurring on or after the beginning of the first comparative period presented.

The following table presents the reconciliation of deferred tax on lease contract assets/liabilities as at January 1, 2022:

	Balance at January 1	Net income	Other compre-hensive income	Business acqui-sition	Balance at December 31
Right-of-use assets	50 $	(357) $	$	$	(307) $
Lease obligations		366			366
Assets (liabilities) of lease agreements	**50 $**	**9 $**	**$**	**$**	**59 $**

IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS*

In February 2021, the IASB published an amendment to IAS 1 "Presentation of Financial Statements." The amendment requires entities to present material information on accounting policies rather than their significant accounting policies. The amendments to IAS 1 apply retrospectively to the financial statements for fiscal years beginning on or after January 1, 2023. The adoption of these amendments has no significant impact on the Company's financial statements.

IAS 8 *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

In February 2021, the IASB published amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to help entities distinguish between accounting policies and accounting estimates. The amendments apply to fiscal years beginning on or after January 1, 2023, as well as to changes in accounting policies and estimates that occur after that period. The adoption of these amendments has no significant impact on the Company's financial statements.

(ii) New standards issued but not yet in effect

The IASB has issued new standards that will be mandatory in the next few years. Many of these new standards will not affect the Company's financial statements and are therefore not discussed here.

5 TOTAL REVENUE

	2023	2022
Insurance service revenue	**61 171 $**	56 118 $
Amounts recovered from reinsurers for claims incurred	**6 861**	12 018
Net investment income	**3 709**	(2 589)
Financial income (expenses) for insurance contracts	**(451)**	32
Financial income (expenses) for reinsurance treaties	**129**	29
Other revenue	**188**	1 002
Total income	**71 607 $**	66 610 $

(in thousands of Canadian dollars, unless otherwise specified)

6 NET INVESTMENT INCOME AND NET FINANCIAL RESULT

The following tables present net investment income:

	Fiscal year ending December 31, 2023			
	At fair value through profit or loss	**At fair value through other compre-hensive income**	**Amorti-zed cost**	**Total**
Interest income	$	$	**265** $	**265** $
Total of interest income			**265**	**265**
Fees			**(6)**	**(6)**
Total net investment income			**259**	**259**
Gains (losses) on disposal of investments	**3 450**			**3 450**
Total gains (losses) on investments	**3 450**			**3 450**
Total net investment income	**3 450** $	$	**259** $	**3 709** $

	Fiscal year ending December 31, 2022			
	At fair value through profit or loss	At fair value through other compre-hensive income	Amorti-zed cost	Total
Interest income	$	$	104 $	104 $
Total of interest income			104	104
Fees			(4)	(4)
Total net investment income			100	100
Gains (losses) on disposal of investments	(110)			(110)
Unrealized gains (losses) on investments	(2 579)			(2 579)
Total gains (losses) on investments	(2 689)			(2 689)
Total net investment income	(2 689) $	$	100 $	(2 589) $

The following table presents the net financial result:

	2023	2022
Net investment income	**3 709** $	(2 589) $
Capitalized interest and effect of changes in financial assumptions	**(451)**	32
Financial income (expenses) for insurance contracts	**(451)**	32
Capitalized interest and effect of changes in financial assumptions	**129**	29
Financial income (expenses) for reinsurance treaties	**129**	29
Net financial result	**3 387** $	(2 528) $

7 OTHER INCOME

	2023	2022
Dividend from reinsurer	**188** $	1 002 $

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

8 OTHER CHARGES

	2023		2022	
Other	**2 742**	**$**	1 932	$

9 PENSION PLANS

The employees and the Company participate in multi-employer defined benefit pension plans that include Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and the mutual company members of the group. The plans set up by the mutual are made up of a plan for the employees and a plan for the managing directors. Employee and employer contributions are paid into the plans. These plans are administered by retirement committees composed of representatives for the employers, employees and retirees. The retirement committees are charged with the administration of the plans and the establishment of the investment strategy.

The plans are end of career plans based on the average of the best five years of salary. These plans are not indexed.

These pension plans are defined benefit plans and represent the plans in which the Company participates and for which it formally commits on a level of benefits and assumes the actuarial risk and the investment risk. Since the plans operating methods allow the future evolution of salaries to have an impact on the amount of future benefits, the cost of the benefits and the fair value of the defined benefit plans obligation is generally determined using actuarial calculations according to the projected unit credit method. These calculations are made according to the most probable assumptions primarily concerning the expected return of plans investments and the discount rate of the plans obligations, but also, to a lesser degree, salary increases, the retirement age of employees and the mortality rate. Plan administration fees are payable directly by the employers. The plan asset management fee is payable directly by the pension plans.

In 2022, pension plan managers and an insurance company signed an agreement to transfer benefits related to services rendered by the retirees covered by the plans. An amount of $ 40 000 in assets, for the Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale and the mutual company members of the group, was transferred to the insurance company for the cession of part of the retirement benefits. However, these transactions do not constitute a liquidation because pension plan retain a legal obligation to retirees.

An independent actuary analyzes the individual data on plans members. The actuary determines the minimum contribution level according to the results of his examination. The employer must erase any plans deficit within a period of ten years after the date of the last actuarial valuation.

The Company measures its defined benefit obligations for the current year based on the December 31, 2022 actuarials valuations. The next valuations must be carried out as at December 31, 2025.

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

9 PENSION PLANS (CONTINUED)

The pension plan expense is as follows :

	2023		2022	
Income statement				
Current service cost (employer)	**424**	**$**	872	$
Plan administration fees	**37**		31	
Net interest on plans financing	**24**		130	
Expenses in income statement	**485**		1 033	
Accumulated Other Comprehensive Income				
Return of assets, excluding amounts included in net interest on plans financing	**(567)**		2 204	
Actuarial losses (gains) resulting from changes in assumptions				
- demographic	**47**			
- financial	**1 657**		(6 459)	
- others	**1 026**			
Variation of capping effect on net assets of defined benefit plan	**(61)**		58	
Losses (gains) in accumulated other comprehensive income	**2 102**		(4 197)	
Losses (gains) for the period in the other comprehensive income	**2 587**	**$**	(3 164)	$
Reconciliation				
Defined benefit plan asset				
Fair value of plans assets at beginning of period	**15 224**	**$**	16 831	$
Actual return of plans assets	**1 359**		(1 705)	
Employer contributions	**435**		422	
Employee contributions	**435**		449	
Benefits paid and settlements	**(775)**		(773)	
Fair value of plans assets at end of period	**16 678**	**$**	15 224	$
Defined benefit plan obligation				
Defined benefit obligation at beginning of period	**15 650**	**$**	20 932	$
Service cost for employer (current and past)	**424**		872	
Financial cost	**813**		629	
Actuarial losses (gains) on changes in assumptions	**2 730**		(6 459)	
Employee contributions	**435**		449	
Benefits paid and settlements	**(775)**		(773)	
Fair value of defined benefit obligation	**19 277**	**$**	15 650	$
Capping effect on net assets of defined benefit plan			58	
Pension plan assets (liabilities)	**(2 599)**	**$**	(484)	$
Presented in the balance sheet as follow :				
Pension plan assets	**2**	**$**		$
Pension plan liabilities	**(2 601)**	**$**	(484)	$

(in thousands of Canadian dollars, unless otherwise specified)

9 PENSION PLANS (CONTINUED)

Plans assets are composed of the following items :

	2023		2022	
Investments quoted in active markets				
Equity	**5 504**	**$**	4 415	$
Bonds	**3 002**		1 979	
Real estate	**2 502**		3 197	
Cash	**167**		152	
Transfer of benefits to an insurance company	**5 504**		5 481	
Others	**(1)**			
Fair value of plan assets at end of year	**16 678**	**$**	15 224	$

	2023		2022	
The effective rate of return of the plans is :	**9.22**	**%**	(11.30)	%

The main assumptions used to valuate the obligation and cost of defined benefit plans are as follows (weighted average) :

	2023		2022	
Discount rate	**4.65**	**%**	5.05	%
Rate of salary increases	**3.00**	**%**	3.00	%

The mortality table used for the years ended December 31, 2023 and 2022 is named CPM-2014 with projection in scale CPM-B published by Canadian institute of Actuaries.

Sensitivity of defined benefit plans assets (liabilities)

	2023		2022	
Increase of 1%				
Change in the discount rate	**(2 690)**	**$**	(2 012)	$
Change in the rate of salary	**928**	**$**	805	$
Decrease of 1%				
Change in the discount rate	**3 507**	**$**	2 854	$
Change in the rate of salary	**(796)**	**$**	(648)	$
One year increase in life expectancy of retirees at age 65	**379**	**$**	412	$

Expected contributions for the next few periods

The Company estimates that it must contribute an amount of $465 ($434 in 2022) to its defined benefit plans in the next year.

The average duration of the defined benefit obligation at the end of the period is 15 years (14 years in 2022).

10 TAX ON COMPREHENSIVE INCOME AND DEFERRED TAX

	2023		2022	
Income before income taxes	**4 117**	**$**	258	$
Statutory income tax rates federal and provincial	**27**	**%**	27	%
Income tax calculated at statutory tax rates	**1 091**	**$**	68	$
Increase (decrease) of income tax rates resulting from the following items :				
Non-taxable income	**(96)**		(72)	
Non-deductible expenses	**(4)**		15	
Other	**4**		23	
Total income tax expense (recovery) in income	**995**	**$**	34	$

(in thousands of Canadian dollars, unless otherwise specified)

10 TAX ON COMPREHENSIVE INCOME AND DEFERRED TAX (CONT'D)

Income tax is as follows:	**2023**		2022	
Total tax expense (savings) on net income	**995**	**$**	34	$
Other comprehensive income				
Items that will not be reclassified to net income at a later date				
Actuarial gains (losses) on pension plans	**(557)**		1 112	
Total income tax expense (recovery) in other comprehensive income	**(557)**		1 112	
Total income tax expense (recovery) in comprehensive income	**438**	$	1 146	$

The income tax expense is itemized as follows :	**2023**		2022	
Current income taxes				
Current period	**1 705**	**$**	988	$
Adjustment of previous years	**(70)**		(73)	
	1 635		915	
Deferred income taxes				
Current period	**(1 130)**		133	
Adjustment of previous years	**(67)**		98	
	(1 197)		231	
Total income tax expense (recovery) in comprehensive income	**438**	$	1 146	$

All deferred income taxes pertaining to the temporary deductible differences are recorded in the financial statements. The deferred income taxes are composed of the variances between the fiscal value of an asset or a liability and its book value in the balance sheet. These variances come from :

	For the year ended 31 december 2023									
	Balance on January 1st		**Net income**		**Other comprehensive income**		**Acquisition of business**		**Balance on December 31st**	
Deferred income tax asset (liability)										
Asset (liability) of lease contracts	**(307)**	$	**52**	$		$		$	**(255)**	$
Tangible capital assets	**17**		**(20)**						**(3)**	
Intangible assets	**(126)**		**592**						**466**	
Lease obligations	**366**		**(51)**						**315**	
Insurance and reinsurance contracts	**(190)**		**62**						**(128)**	
Asset (liability) of pension plans	**128**		**4**		**557**				**689**	
Others	**42**		**1**						**43**	
Total deferred income tax asset (liability)	**(70)**	**$**	**640**	**$**	**557**	**$**		**$**	**1 127**	**$**
Total deferred income tax asset		**$**							**1 127**	**$**
Total deferred income tax liability	**70**	**$**								**$**

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

10 TAX ON COMPREHENSIVE INCOME AND DEFERRED TAX (CONT'D)

	For the year ended December 31, 2022									
	Balance on January 1st		Net income		Other comprehensive income		Acquisition of business		Balance on December 31st	
Deferred income tax asset (liability)										
Asset (liability) of lease contracts	50	$	(357)	$		$		$	(307)	$
Tangible capital assets	35		(18)						17	
Intangible assets	(715)		589						(126)	
Lease obligations			366						366	
Insurance and reinsurance contracts	(472)		299				(17)		(190)	
Asset (liability) of pension plans	1 087		153		(1 112)				128	
Others	176		(134)						42	
Total deferred income tax asset (liability)	161	$	898	$	(1 112)	$	(17)	$	(70)	$
Total deferred income tax asset	161	$								$
Total deferred income tax liability		$							70	$

11 INFORMATION ON COMPREHENSIVE INCOME

	2023		2022	
Comprehensive income includes the following :				
Staff salaries and fringe benefits	**10 017**	**$**	9 240	$
Depreciation of tangible capital assets	**215**		230	
Depreciation on intangible assets	**2 365**		2 366	
Depreciation of right-of-use assets	**164**		167	

12 CASH FLOWS STATEMENTS

During the year, cash flows from interest, dividends, premium taxes and income taxes were as follows :

	2023		2022	
Interest received	**1 384**	**$**	1 136	$
Interest paid (received) on pension plans financing and on representation termination fund	**26**	**$**	136	$
Interest paid on preferred shares		**$**	27	$
Paid premiums tax	**1 721**	**$**	2 324	$
Current income taxes (recovered) paid	**(1 164)**	**$**	2 219	$

13 INVESTMENTS

	2023				2022			
AT FAIR VALUE THROUGH PROFIT OR LOSS	**Carrying value**		**Fair value**		Carrying value		Fair value	
Limited partnerships								
Debt Securities Fund	**34 570**		**34 570**		28 413		28 413	
Equity Fund	**15 835**		**15 835**		12 552		12 552	
Capitalization fund	**788**		**788**		745		745	
Promutuel Réassurance — Equity investments	**153**		**153**		153		153	
Promutuel Guarantee Fund								
Equity investments	**245**		**245**		245		245	
	51 591	**$**	**51 591**	**$**	42 108	$	42 108	$

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

14 RIGHT-OF-USE ASSETS

The Company entered into lease agreements for the rental of office space and office equipment. Some of these leases require the Company to make additional variable payments related to municipal taxes and other costs borne by the landlord. These amounts are paid in addition to the amounts related to balance sheet commitments. Some leases include an option to renew the lease for an extended period.

Additional information regarding the lease obligation is presented in Note 20.

	2023									
Cost	**Balance on January 1st**		**Addition**		**Disposal**		**Contract amendments**		**Balance on December 31st**	
Building	**1 770**	**$**		**$**		**$**	**(70)**	**$**	**1 700**	**$**
Furniture-equipment	**42**						**35**		**77**	
Total cost	**1 812**	**$**		**$**		**$**	**(35)**	**$**	**1 777**	**$**
			Depreciation		**Disposal**					
Accumulated depreciation										
Building	**635**	**$**	**153**	**$**		**$**		**$**	**788**	**$**
Furniture-equipment	**17**		**11**						**28**	
Total accumulated depreciation	**652**	**$**	**164**	**$**		**$**		**$**	**816**	**$**
Net book value										
Building	**1 135**	**$**							**912**	**$**
Furniture-equipment	**25**								**49**	
Net book value	**1 160**	**$**							**961**	**$**

	2022									
Cost	Balance on January 1st		Addition		Disposal		Contract amendments		Balance on December 31st	
Building	1 770	$		$		$		$	1 770	$
Furniture-equipment	20		22						42	
Building	1 790	$	22	$		$		$	1 812	$
			Depreciation		Disposal					
Accumulated depreciation										
Building	477	$	158	$		$		$	635	$
Furniture-equipment	8		9						17	
Building	485	$	167	$		$		$	652	$
Net book value										
Building	1 293	$							1 135	$
Furniture-equipment	12								25	
Net book value	1 305	$							1 160	$

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

15 TANGIBLE CAPITAL ASSETS

	2023							
Cost	Balance on January 1st		Acqui-sition		Disposal		Balance on December 31st	
Land and building	**2 778**	$	**29**	$		$	**2 807**	$
Leasehold improvements	**993**						**993**	
Furniture-equipment	**1 095**						**1 095**	
Computer equipment			**81**				**81**	
Automobile	**214**						**214**	
Total cost	**5 080**	$	**110**	$		$	**5 190**	$
			Depreciation		Disposal			
Accumulated depreciation								
Land and building	**938**	$	**68**	$		$	**1 006**	$
Leasehold improvements	**527**		**39**				**566**	
Furniture-equipment	**859**		**69**				**928**	
Automobile	**82**		**39**				**121**	
Total accumulated depreciation	**2 406**	$	**215**	$		$	**2 621**	$
Net book value								
Land and building	**1 840**	$					**1 801**	$
Leasehold improvements	**466**						**427**	
Furniture-equipment	**236**						**167**	
Computer equipment							**81**	
Automobile	**132**						**93**	
Net book value	**2 674**	$					**2 569**	$

	2022							
Cost	Balance on January 1st		Acqui-sition		Disposal		Balance on December 31st	
Land and building	2 771	$	7	$		$	2 778	$
Leasehold improvements	993						993	
Furniture-equipment	1 102		19		26		1 095	
Automobile	212		72		70		214	
Total cost	5 078	$	98	$	96	$	5 080	$
			Depreciation		Disposal			
Accumulated depreciation								
Land and building	867	$	71	$		$	938	$
Leasehold improvements	489		38				527	
Furniture-equipment	807		73		21		859	
Automobile	98		48		64		82	
Total accumulated depreciation	2 261	$	230	$	85	$	2 406	$
Net book value								
Land and building	1 904	$					1 840	$
Leasehold improvements	504						466	
Furniture-equipment	295						236	
Automobile	114						132	
Net book value	2 817	$					2 674	$

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

16 INTANGIBLE ASSETS

	2023							
	Balance on		**Acqui-**		**Disposal**		**Balance on**	
Cost	**January 1st**		**sition**				**December 31st**	
Clientele	**11 829**	**$**		**$**		**$**	**11 829**	**$**
			Depreciation		**Disposal**			
Accumulated depreciation								
Clientele	**9 458**	**$**	**2 365**	**$**		**$**	**11 823**	**$**
Net book value	**2 371**	**$**					**6**	**$**

	2022							
	Balance on		Acqui-		Disposal		Balance on	
Cost	January 1st		sition				December 31st	
Clientele	11 829	$		$		$	11 829	$
			Depreciation		Disposal			
Accumulated depreciation								
Clientele	7 092	$	2 366	$		$	9 458	$
Net book value								
Net book value	4 737	$					2 371	$

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

17 ASSETS AND LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS

Liabilities and assets under insurance and reinsurance contracts consist of the liability/asset for remaining coverage, and the liability/asset for incurred claims.

Carrying amount of insurance and reinsurance contract portfolios

	2023									
	Personal		**Commercial**		**Auto**		**Surety**		**Total**	
Liability (asset) under insurance contracts	**6 458**	**$**	**7 797**	**$**	**12 170**	**$**	**50**	**$**	**26 475**	**$**
									Total	
Asset (liability) under reinsurance treaties held									**9 711**	**$**

	2022									
	Personal		Commercial		Auto		Surety		Total	
Liability (asset) under insurance contracts	6 567	$	6 438	$	9 865	$	62	$	22 932	$
									Total	
Asset (liability) under reinsurance treaties held									7 990	$

Change in net liabilities (assets) for insurance policies by remaining coverage and incurred claims

The following tables present the reconciliation of the opening and closing balances of the net liability for remaining coverage and the liability for claims incurred on insurance contracts by sector.

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

17 ASSETS AND LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS (CONT'D)
Personal

	2023				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Non-financial risk adjustment	Total
Balance at January 1, 2023					
Liability (asset) under insurance contracts at the beginning	**2 778 $**	**$**	**3 657 $**	**132 $**	**6 567 $**
Insurance service revenue	**(19 307)**				**(19 307)**
Expenses related to insurance activities					
Incurred claims and other insurance expenses			**10 046**	**68**	**10 114**
Amortization of acquisition costs	**2 806**				**2 806**
Change in liability for incurred claims			**605**	**(50)**	**555**
Total expenses related to insurance activities	**2 806**		**10 651**	**18**	**13 475**
Insurance service result	**(16 501)**		**10 651**	**18**	**(5 832)**
Financial expenses (income) for insurance contracts			**91**		**91**
Amounts recognized in net income	**(16 501)**		**10 742**	**18**	**(5 741)**
Cash flow					
Receipt of insurance service revenue	**19 176**				**19 176**
Disbursement of claims and other expenses			**(10 966)**		**(10 966)**
Cash flows from acquisition costs	**(2 578)**				**(2 578)**
Total cash flows	**16 598**		**(10 966)**		**5 632**
Liabilities under insurance contracts	2 875 $	$	3 433 $	150 $	6 458 $

	2022				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Non-financial risk adjustment	Total
Balance at January 1, 2022					
Liability (asset) under insurance contracts at the beginning	2 289 $	$	4 239 $	164 $	6 692 $
Insurance revenue	(18 637)				(18 637)
Expenses related to insurance activities					
Incurred claims and other insurance expenses			13 404	92	13 496
Amortization of acquisition costs	2 847				2 847
Change in liability for incurred claims			(392)	(124)	(516)
Total expenses related to insurance activities	2 847		13 012	(32)	15 827
Insurance service result	(15 790)		13 012	(32)	(2 810)
Financial expenses (income) for insurance contracts			9		9
Amounts recognized in net income	(15 790)		13 021	(32)	(2 801)
Cash flow					
Receipt of insurance service revenue	18 815				18 815
Disbursement of claims and other expenses			(13 603)		(13 603)
Cash flows from acquisition costs	(2 536)				(2 536)
Total cash flows	16 279		(13 603)		2 676
Liabilities under insurance contracts	2 778 $	$	3 657 $	132 $	6 567 $

Fiscal year ending December 31, 2023
(en milliers de dollars canadiens, sauf indication contraire)

17 ASSETS AND LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS (CONT'D)
Commercial

	2023				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Non-financial risk adjustment	Total
Balance at January 1, 2023					
Liability (asset) under insurance contracts at the beginning	**1 721 $**	**29 $**	**4 479 $**	**209 $**	**6 438 $**
Insurance service revenue	**(14 678)**				**(14 678)**
Expenses related to insurance activities					
Incurred claims and other insurance expenses		**(29)**	**7 683**	**91**	**7 745**
Amortization of acquisition costs	**3 840**				**3 840**
Losses and reversals of losses on onerous contracts		**57**			**57**
Change in liability for incurred claims			**752**	**(26)**	**726**
Total expenses related to insurance activities	**3 840**	**28**	**8 435**	**65**	**12 368**
Insurance service result	**(10 838)**	**28**	**8 435**	**65**	**(2 310)**
Financial expenses (income) for insurance contracts			**134**		**134**
Amounts recognized in net income	**(10 838)**	**28**	**8 569**	**65**	**(2 176)**
Cash flow					
Receipt of insurance service revenue	**15 226**				**15 226**
Disbursement of claims and other expenses			**(7 765)**		**(7 765)**
Cash flows from acquisition costs	**(3 926)**				**(3 926)**
Total cash flows	**11 300**		**(7 765)**		**3 535**
Liabilities under insurance contracts	2 183 $	57 $	5 283 $	274 $	7 797 $

	2022				
	Liability for remaining coverage		Liability for incurred claims		
	Excluding loss component	Loss component	Estimates of present value of future cash flows	Non-financial risk adjustment	Total
Balance at January 1, 2022					
Liability (asset) under insurance contracts at the beginning	1 342 $	$	3 848 $	192 $	5 382 $
Insurance revenue	(12 273)				(12 273)
Expenses related to insurance activities					
Incurred claims and other insurance expenses			10 980	124	11 104
Amortization of acquisition costs	3 569				3 569
Losses and reversals of losses on onerous contracts		29			29
Change in liability for incurred claims			(533)	(107)	(640)
Total expenses related to insurance activities	3 569	29	10 447	17	14 062
Insurance service result	(8 704)	29	10 447	17	1 789
Financial expenses (income) for insurance contracts			(27)		(27)
Amounts recognized in net income	(8 704)	29	10 420	17	1 762
Cash flow					
Receipt of insurance service revenue	12 491				12 491
Disbursement of claims and other expenses			(9 789)		(9 789)
Cash flows from acquisition costs	(3 408)				(3 408)
Total cash flows	9 083		(9 789)		(706)
Liabilities under insurance contracts	1721 $	29 $	4479 $	209 $	6438 $

Fiscal year ending December 31, 2023
(en milliers de dollars canadiens, sauf indication contraire)

17 ASSETS AND LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS (CONT'D)
Automobile

	2023									
	Liability for remaining coverage				**Liability for incurred claims**					
	Excluding loss component		**Loss component**		**Estimates of present value of future cash flows**		**Non-financial risk adjustment**		**Total**	
Balance at January 1, 2023										
Liability (asset) under insurance contracts at the beginning	**2 868**	**$**		**$**	**6 785**	**$**	**212**	**$**	**9 865**	$
Insurance service revenue	**(27 104)**								**(27 104)**	
Expenses related to insurance activities										
Incurred claims and other insurance expenses					**22 993**		**127**		**23 120**	
Amortization of acquisition costs	**4 198**								**4 198**	
Change in liability for incurred claims					**778**		**(63)**		**715**	
Total expenses related to insurance activities	**4 198**				**23 771**		**64**		**28 033**	
Insurance service result	**(22 906)**				**23 771**		**64**		**929**	
Financial expenses (income) for insurance contracts					**226**				**226**	
Amounts recognized in net income	**(22 906)**				**23 997**		**64**		**1 155**	
Cash flow										
Receipt of insurance service revenue	**27 486**								**27 486**	
Disbursement of claims and other expenses					**(22 343)**				**(22 343)**	
Cash flows from acquisition costs	**(3 993)**								**(3 993)**	
Total cash flows	**23 493**				**(22 343)**				**1 150**	
Liabilities under insurance contracts	3 455	$		$	8 439	$	276	$	12 170	$

	2022									
	Liability for remaining coverage				Liability for incurred claims					
	Excluding loss component		Loss component		Estimates of present value of future cash flows		Non-financial risk adjustment		Total	
Balance at January 1, 2022										
Liability (asset) under insurance contracts at the beginning	3 974	$		$	4 360	$	135	$	8 469	$
Insurance revenue	(25 126)								(25 126)	
Expenses related to insurance activities										
Incurred claims and other insurance expenses					19 756		105		19 861	
Amortization of acquisition costs	4 250								4 250	
Change in liability for incurred claims					827		(28)		799	
Total expenses related to insurance activities	4 250				20 583		77		24 910	
Insurance service result	(20 876)				20 583		77		(216)	
Financial expenses (income) for insurance contracts					(14)				(14)	
Amounts recognized in net income	(20 876)				20 569		77		(230)	
Cash flow										
Receipt of insurance service revenue	25 028								25 028	
Disbursement of claims and other expenses					(18 144)				(18 144)	
Cash flows from acquisition costs	(5 258)								(5 258)	
Total cash flows	19 770				(18 144)				1 626	
Liabilities under insurance contracts	2868	$		$	6785	$	212	$	9865	$

Notes to Financial Statements

Fiscal year ending December 31, 2023
(en milliers de dollars canadiens, sauf indication contraire)

17 ASSETS AND LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS (CONT'D)
Caution

	2023									
	Liability for remaining coverage				Liability for incurred claims					
	Excluding loss component		Loss component		Estimates of present value of future cash flows		Non-financial risk adjustment		Total	
Balance at January 1, 2023										
Liability (asset) under insurance contracts at the beginning	60	$		$	2	$		$	62	$
Insurance service revenue	(82)								(82)	
Expenses related to insurance activities										
Incurred claims and other insurance expenses					7				7	
Amortization of acquisition costs	8								8	
Total expenses related to insurance activities	8				7				15	
Insurance service result	(74)				7				(67)	
Financial expenses (income) for insurance contracts										
Amounts recognized in net income	(74)				7				(67)	
Cash flow										
Receipt of insurance service revenue	67								67	
Disbursement of claims and other expenses					(6)				(6)	
Cash flows from acquisition costs	(6)								(6)	
Total cash flows	61				(6)				55	
Liabilities under insurance contracts	47	$		$	3	$		$	50	$

	2022									
	Liability for remaining coverage				Liability for incurred claims					
	Excluding loss component		Loss component		Estimates of present value of future cash flows		Non-financial risk adjustment		Total	
Balance at January 1, 2022										
Liability (asset) under insurance contracts at the beginning	39	$		$	1	$		$	40	$
Insurance revenue	(82)								(82)	
Expenses related to insurance activities										
Incurred claims and other insurance expenses					(11)				(11)	
Amortization of acquisition costs	11								11	
Change in liability for incurred claims					22				22	
Total expenses related to insurance activities	11				11				22	
Insurance service result	(71)				11				(60)	
Financial expenses (income) for insurance contracts										
Amounts recognized in net income	(71)				11				(60)	
Cash flow										
Receipt of insurance service revenue	105								105	
Disbursement of claims and other expenses					(10)				(10)	
Cash flows from acquisition costs	(13)								(13)	
Total cash flows	92				(10)				82	
Liabilities under insurance contracts	60	$		$	2	$		$	62	$

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

17 ASSETS AND LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

Change in net assets (liabilities) under reinsurance treaties by remaining coverage and incurred claims

The following table presents the reconciliation of net assets under reinsurance treaties held.

	2023				
	Asset for remaining coverage		**Asset for incurred claims**		
	Excluding the loss recovery component	**Loss recovery component**	**Estimates of present value of future cash flows**	**Non-financial risk adjustment**	**Total**
Balance at January 1, 2023					
Net assets (liabilities) under reinsurance treaties at the beginning	**2 379 $**	**15 $**	**5 461 $**	**135 $**	**7 990 $**
Transfer of reinsurance on premiums	**(10 740)**				**(10 740)**
Recovery of claims and other expenses		**(15)**	**6 693**	**57**	**6 735**
Loss recovery component on reinsurance treaties		**29**			**29**
Change in assets for claims being settled			**146**	**(49)**	**97**
Amounts recovered from reinsurers for claims incurred		**14**	**6 839**	**8**	**6 861**
Net income from reinsurance treaties held	**(10 740)**	**14**	**6 839**	**8**	**(3 879)**
Financial income (expenses) for reinsurance treaties			**129**		**129**
Amounts recognized in net income	**(10 740)**	**14**	**6 968**	**8**	**(3 750)**
Cash flow					
Disbursement of ceded premiums	**11 430**				**11 430**
Receipt of claims recoveries and other expenses			**(5 959)**		**(5 959)**
Assets under reinsurance treaties held	3 069 $	29 $	6 470 $	143 $	9 711 $

	2022				
	Asset for remaining coverage		Asset for incurred claims		
	Excluding the loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Non-financial risk adjustment	Total
Balance at January 1, 2022					
Net assets (liabilities) under reinsurance treaties at the beginning	1 846 $	$	4 689 $	157 $	6 692 $
Transfer of reinsurance on premiums	(9 369)				(9 369)
Recovery of claims and other expenses			11 535	81	11 616
Loss recovery component on reinsurance treaties		15			15
Change in assets for claims being settled			490	(103)	387
Amounts recovered from reinsurers for claims incurred		15	12 025	(22)	12 018
Net income from reinsurance treaties held	(9 369)	15	12 025	(22)	2 649
Financial income (expenses) for reinsurance treaties			29		29
Amounts recognized in net income	(9 369)	15	12 054	(22)	2 678
Cash flow					
Disbursement of ceded premiums	9 902				9 902
Receipt of claims recoveries and other expenses			(11 282)		(11 282)
Assets under reinsurance treaties held	2 379 $	15 $	5 461 $	135 $	7 990 $

(in thousands of Canadian dollars, unless otherwise specified)

17 ASSETS AND LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS (CONT'D)

The following table presents the change in liabilities for incurred claims by year of occurrence. This assessment is based on the estimate of cumulative claims incurred, including claims incurred but not reported, as well as cumulative payments to date.

As required by IFRS 17, when establishing liabilities for incurred claims, the Company takes into account the likelihood and magnitude of future experience becoming more unfavourable than expected, which is reflected in the risk adjustment. In general, the uncertainty associated with the final cost of claim settlement is greater when the claim is in the early stages of development. As claims develop, the final cost of claims becomes more certain.

The Company did not disclose information on changes in liabilities for claims incurred more than five years before the end of the period during it started applying IFRS 17.

	Change in gross liability by year of occurrence						
	Avant 2019	2019	2020	2021	2022	2023	Total
At the end of the year of the claim	28 582	7 130	6 894	6 583	8 420	7 573	
After 1 year	29 587	7 309	7 049	6 361	9 901		
After 2 years	29 217	7 113	6 817	6 661			
After 3 years	29 766	7 339	6 611				
After 4 years	30 595	7 619					
After 5 years	35 832						
Estimate of gross loss	**35 832 $**	**7 619 $**	**6 611 $**	**6 661 $**	**9 901 $**	**7 573 $**	**74 197 $**
Claims paid	33 240	6 781	5 614	4 844	6 835		57 314
Claims not paid	2 592	838	997	1 817	3 066	7 573	16 883
Effect of discounting and of non-financial risk adjustment							(253)
Other unpaid insurance expenses							1 228
Gross liability for incurred claims							**17 858 $**

Sensitivity in main assumptions

The following table presents the detailed impact of changes in the main assumptions on net income and equity, before and after mitigation of the risk for reinsurance treaties held. No changes were made to the methods and assumptions used to prepare the sensitivity analyses compared to the previous year, taking into account the restatement of the comparative period.

		2023		2022	
	Change in assum-ption	Insu-rance cont-racts	Reinsu-rance treaties held	Insu-rance cont-racts	Reinsu-rance treaties held
Claims development	+5%	**574 $**	**76 $**	487 $	61 $
Claims development	-5%	**(634) $**	**(74) $**	(538) $	(67) $

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

18 INSURANCE SERVICE EXPENSES AND OTHER EXPENSES

	2023		2022	
Cost of claims	**33 722**	**$**	36 178	$
Transactions	**18 595**		16 385	
Premium taxes	**1 949**		1 824	
Other	**2 367**		2 366	
	56 633		56 753	
Expenses related to insurance activities	**53 891**		54 821	
Other fees	**2 742**		1 932	
	56 633	$	56 753	$

19 ACCRUED EXPENSES AND OTHER SUPPLIERS

	2023		2022	
Members	**71**	**$**	27	$
Sale taxes	**390**		370	
Other	**23**		46	
	484	$	443	$

20 LEASE OBLIGATIONS

The following table shows the total amounts of undiscounted future minimum lease payments to be made under the leases.

	2023		2022	
Current amount due within one year	**247**	**$**	233	$
Non-current amount				
One year to three years	**469**	**$**	471	$
Four to five years	**237**		324	
Six to ten years	**546**		585	
More than ten years	**109**		250	

The Company is not exposed to significant liquidity risk with respect to its lease obligations.

The following table shows the amounts recognized in net income that were not taken into account in measuring the lease obligation following the Company's decision to use the exemption for certain types of leases.

	2023		2022	
Lease expenses				
Short-term leases		**$**	9	$
Leases where the underlying asset has a low value	**1**		2	
Variable lease payments	**47**		39	
	48	**$**	**50**	$

Total cash outflows from leases for the year ended December 31, 2023, were $292 ($280 in 2022).

21 PARTNERSHIP SHARES

Under the Insurers Act and in accordance with the common internal by-laws, the Company's share capital is unlimited. Under the old legislation, the Company was authorized to issue 1 000 000 shares, redeemable at the option of the holder, without voting rights, with a par value of $10 each. As at 31 december 2023, the Company has no partnership shares issued (none in 2022).

(in thousands of Canadian dollars, unless otherwise specified)

22 ACCUMULATED OTHER COMPREHENSIVE INCOME

	2023		2022	
Actuarial gains (losses) on pension plans	**136**		2 238	
Related income taxes	**(32)**		(589)	
	104		1 649	
Accumulated other comprehensive income	**104**	**$**	1 649	$

23 CAPITAL MANAGEMENT

The Company defines its capital as items that are presented in the equitiy.

The Company's capital management is done in order to maintain adequate capital to enable optimal development. It is also aimed at meeting the requirements for capital dictated by the Autorité des marchés financiers. The policies and procedures of the Company are established to manage and limit the risks the Company is exposed to. The Company's Board of directors approved a policy for managing capital. Compliance with this policy is monitored periodically.

The Company must comply with capital requirements under An Act Respecting Insurance (Québec). Autorité des marchés financiers (AMF) requires that the Company set a new internal capital target reflecting its risk profile and that it be in compliance with a minimum capital test (MCT). The new target the Company has set, based on the Company's actuary's financial condition testing report, is to maintain a minimum capital test level above 190 % (190 % en 2022). As at December 31, 2023, the Company meets the capital requirements.

24 COMMITMENTS AND CONTINGENCIES

A) Commitments

See Note 20 for details of lease commitments.

In 2021, the Company has agreed to pay Promutuel Investissement Stratégique S.E.C. an overall contribution of US$240 as equity investment. Of this amount, the Company has invested a total of US$97 as of December 31, 2023 (US$73 as of December 31, 2022). Under the terms of the agreement, the Company must pay any requested amount of the residual contribution within 7 days of a call for payment. The investment project extends over a period of 10 years, such that the Company cannot expect to recover all of its overall contribution before the end of this period.

B) Contingencies

The Company is subject to certain litigation in the ordinary course of its business. The Company's management is of the opinion that the Company has established adequate provisions to cover any losses in respect of such litigation.

25 CONCENTRATION OF INSURANCE RISK

Geographical information

Insurance activities are conducted in the Province of Quebec exclusively. Most of the Company's insurance policies are concentrated in the territory established by the Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale.

Major clients

The Company's revenue comes from many policyholders. No policyholder generates more than 10% of total income.

Insurance service revenue by business line is as follows:

	2023		2022	
Personal	**19 307**	**$**	18 637	$
Commercial	**14 678**		12 273	
Auto	**27 104**		25 126	
Surety	**82**		82	
Total insurance service revenue	**61 171**	**$**	56 118	$

(in thousands of Canadian dollars, unless otherwise specified)

26 RISK MANAGEMENT

In carrying out its activities, the Company is exposed to various risks that are inseparable from its development and the pursuit of its activities. Effective risk management is a continuous, dynamic, and evolving process based on the identification, understanding, assessment, quantification, control, and mitigation of the risks to which the Company is exposed. Risk management consists of a set of policies approved by the Board of Directors. These policies are reviewed periodically.

Integrated risk management framework

To achieve the risk management objectives it has set, the Company has established a management framework covering all risks to which it is exposed. The framework is overseen by various stakeholders and committees. The Board of Directors is responsible for determining risk tolerance levels. It must also approve the development, review, and implementation of risk monitoring and control policies. The Risk Management Committee develops integrated risk management practices tailored to the Company's risk profile and appetite, while ensuring that they are implemented effectively and efficiently.

The Audit Committee ensures that integrated risk management policies and practices are effective and consistent with the Company's risk appetite. This committee is responsible for updating and monitoring policies with the Board of Directors and ensuring that the actions taken by the Company comply with them. Senior management proposes policies and procedures required to govern the Company's activities and ensures their implementation. These policies must be tailored to the Company's risk profile and strategic plan.

1) Financial risks

The most significant financial risks that the Company must manage with respect to financial instruments and insurance and reinsurance contracts are as follows.

A) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate and result in a loss due to changes in market factors such as interest rates, foreign exchange rates, and equity prices.

The Company's investment policy defines the objectives, distribution, constraints, responsibilities, and performance evaluation criteria. Compliance with this policy is monitored periodically.

Sensitivity analyses do not include the impact of changes in the risks associated with the Company's pension plans.

i) Interest rate risk

Interest rate risk exists when financial assets are invested in a financial instrument that bears interest at a fixed rate. This exposes the financial assets to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in market interest rates.

In addition, fluctuations in interest rates change the measurement of the assets and liabilities related to the insurance contracts and reinsurance treaties held.

The following table presents the details of the Company's sensitivity to an increase and a decrease of 1% in the interest rate on net income and shareholders' equity for the following elements.

	2023			
	Net income		**Equity**	
	Decrease of 1%	**Increase of 1%**	**Decrease of 1%**	**Increase of 1%**
Financial instruments	**992 $**	**(992) $**	**992 $**	**(992) $**
Insurance contracts	**(142)**	**137**	**(142)**	**137**
Reinsurance treaties held	**22**	**(22)**	**22**	**(22)**
	872 $	**(877) $**	**872 $**	**(877) $**

	2022			
	Net income		Equity	
	Decrease of 1%	Increase of 1%	Decrease of 1%	Increase of 1%
Financial instruments	848 $	(848) $	848 $	(848) $
Insurance contracts	(115)	110	(115)	110
Reinsurance treaties held	20	(19)	20	(19)
	753 $	(757) $	753 $	(757) $

(in thousands of Canadian dollars, unless otherwise specified)

26 RISK MANAGEMENT (CONT'D)

To manage the risk of the fluctuation of interest rates, the Company has an investment policy approved by its Board of directors, which provides the matching of its assets and liabilities. The investments of the Company must follow the structure of its financial commitments.

ii) Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument denominated in foreign currency will fluctuate because of changes in the exchange rates.

The Company's operations are conducted entirely in Canadian dollars with the exception of $910 ($360 in 2022) in assets invested in foreign currencies. As at 31 december 2023, the Company estimates that a 10% increase in the exchange rate of foreign currencies against the Canadian dollar, with all other variables held constant, would result in a decrease of $67 ($26 in 2022) in comprehensive income and shareholders' equity. A 10% decrease in the exchange rate would have the equivalent opposite effect.

iii) Stock market risk

Stock market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Such fluctuation may be due to issuer-specific factors or factors affecting all instruments traded in a market. The maximum risk arising from financial instruments is equivalent to their fair value. The Company manages this risk by diversifying its holdings.

As at 31 december 2023, the Company estimates that a 10% increase in share price, with all other variables held constant, would increase comprehensive income and members' equity by $1 164 ($922 in 2022). A 10% decrease would have the equivalent opposite effect.

B) Liquidity risk

Liquidity risk is the risk that there will not be enough sources of liquidity to make projected payments on financial liabilities. To manage its cash flow requirements, the Company maintains the necessary liquidity in accordance with its investment policy and its commitments recorded under liabilities. The Company also maintains readily marketable securities to mitigate any liquidity risk.

The contractual maturity of the Company's financial liabilities is as follows:

	Timeline at December 31, 2023					
	Less than one year	**One to three years**	**Three to five years**	**Five to ten years**	**Over ten years**	**Balance sheet value**
Accounts payable	**487**					**487**
TOTAL	**487 $**	**$**	**$**	**$**	**$**	**487 $**

	Timeline at December 31, 2022					
	Less than one year	One to three years	Three to five years	Five to ten years	Over ten years	Balance sheet value
Accounts payable	358					358
TOTAL	358 $	$	$	$	$	358 $

The timeline for liabilities under insurance contracts is as follows:

	Timeline at December 31, 2023					
	Less than one year	**One to three years**	**Three to five years**	**Five to ten years**	**More than ten years**	**Balance sheet value**
Liabilities under insurance contracts	**20 632 $**	**3 729 $**	**1 360 $**	**754 $**	**$**	**26 475 $**
TOTAL	**20 632 $**	**3 729 $**	**1 360 $**	**754 $**	**$**	**26 475 $**

(in thousands of Canadian dollars, unless otherwise specified)

26 RISK MANAGEMENT (CONT'D)

	Timeline at December 31, 2022					
	Less than one year	three years	Three to five years	Five to ten years	More than ten years	Balance sheet value
Liabilities under insurance contracts	18 552 $	2 367 $	1 500 $	513 $	$	22 932 $
TOTAL	18 552 $	2 367 $	1 500 $	513 $	$	22 932 $

The amounts of liabilities under insurance contracts payable on demand are as follows:

	2023		2022	
	Amount payable on demand	Carrying amount	Amount payable on demand	Carrying amount
Personal	**584 $**	**6 458 $**	805 $	6 567 $
Commercial	**608**	**7 797**	652	6 438
Auto	**855**	**12 170**	1 078	9 865
Surety	**3**	**50**	3	62
TOTAL	**2 050 $**	**26 475 $**	2 538 $	22 932 $

C) Credit risk and diversification

The credit risk is the risk that counterparties or debtors do not fulfill their obligations to the Company. The investment and premium financing policies of the Company aim to reduce this risk by ensuring a diversification of counterparties or debtors, and limited exposure to any single issuer. In addition, the investment policy imposes minimums standards for the credit rating of issuers.

The maximum credit risk associated with financial instruments corresponds to the carrying amount of financial assets, net of any provision for expected credit losses. Consequently, the carrying amount on the balance sheet for financial instruments corresponds to the Company's maximum credit risk.

As at 31 december 2023, no financial assets represented more than 10 % of the total investments of the Company.

The following table provides information on the credit quality of investments.

Bonds and fixed term deposit by credit quality :	**2023**	2022
Credit rating		
AAA	**809 $**	382 $
AA	**23 849**	21 106
A	**5 084**	3 684
BBB	**2 334**	1 797
Below BBB	**35**	
R-1	**120**	60
Not rated	**2 429**	1 430
Total	**34 660 $**	28 459 $

Shares and Preferred shares by credit quality :	**2023**	2022
Credit rating		
P1	**$**	18 $
P2	**2 576**	1 991
P3	**2 108**	1 629
P4		15
Other	**787**	744
Total	**5 471 $**	4 397 $

i) Provisions for expected credit losses

At December 31, 2023 and 2022, the adjustment for expected credit losses on financial assets recognized at amortized cost and at fair value through other comprehensive income is not significant.

(in thousands of Canadian dollars, unless otherwise specified)

26 RISK MANAGEMENT (CONT'D)

ii) Insurance and reinsurance contracts

The Company takes appropriate measures to ensure the creditworthiness of the reinsurers with whom it deals. They are certified in Canada. The Company is not aware of any information that would cause it to doubt the recovery of the amounts owed to it.

The maximum exposure of the Company to credit risk on the assets under the reinsurance treaties held amounts respectively to 9 711 $ as at December 31, 2023 (7 990 $ at December 31, 2022).

2) Insurance risks

The most significant risks that the Company must manage with respect to insurance contracts are as follows :

A) Underwriting risk

Underwriting risk is the risk that a set price is insufficient, given the portfolio of policies that the Company insures and reinsures, to ensure adequate return for members, compared to the Company's profitability objectives. This risk may be due to inadequate market assessment or loss costs. The Company has adopted underwriting and risk inspection policies that define its retention limits and risk tolerance. When the Company's retention limits are reached, the Company cedes the excess risk to its reinsurer.

The Company manages this risk through pricing analyses compared to its recent experience and market rates. The pricing assumptions are reviewed regularly and take into account reinsurance costs.

	2023		2022	
	Impact on insurance contracts	Net impact of reinsurance	Impact on insurance contracts	Net impact of reinsurance
5% increase in loss ratio	Gross	Net	Gross	Net
Personal	947 $		914 $	
Commercial	723		602	
Auto	1328		1233	
Surety	4		4	
	3002 $	2 242 $	2753 $	2141 $
1% increase in fee rate	637 $	448 $	567 $	428 $

B) Reinsurance risk

The Company has a policy of reinsuring its insurance contracts to limit its exposure to significant losses. Reinsurance does not relieve the Company of its obligations towards its policyholders. Therefore, the Company is exposed to the credit risk related to amounts ceded to the reinsurer. However, the Company regularly monitors the financial position of its reinsurer.

The reinsurance contract indicates that the Company is subject to a net retention of $425 ($325 in 2022) per event. In addition, all member mutual associations of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale are collectively covered for up to $ 650,000 ($ 480,000 in 2022) in the case that a single event were to give rise to a series of claims.

C) Reserve risk

The Company is exposed to the risk that liabilities under insurance contracts and reinsurance treaties held on the balance sheet may be insufficient. The risk with respect to liabilities in automobile and property insurance is more limited since the estimate is based on the insured amount on the loss assessment or on a repair quote and the settlement period is relatively short. The liability insurance risk is greater.

3) Other risks

In addition to insurance and financial risks, the Company may also face other risks that could have an adverse impact on its business and profitability, including risks of an operational, technological, strategic, or compliance nature.

In order to properly manage these risks, the Company ensures that it implements various control mechanisms to identify, assess, and mitigate them. In addition, the Company adopts a global and coordinated approach to ensure that risk management is carried out in an integrated manner, taking into account the overlap and interdependence between the various risks.

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants on the measurement date.

The Company uses a fair value hierarchy to categorize data used in valuation techniques to measure fair value. The hierarchy has three levels :

Level 1 : valuation based on quote prices in active markets (unadjusted)
Level 2 : valuation techniques based on a significant portion of observable market parameters
Level 3 : valuation techniques based on a significant portion of unobservable market parameters

	2023			
Financial assets on the balance sheet estimated at the fair value :	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at fair value through profit or loss	**$**	**50 286 $**	**1 305 $**	**51 591 $**
	$	**50 286 $**	**1 305 $**	**51 591 $**

	2022			
Financial assets on the balance sheet estimated at the fair value :	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss	$	40 880 $	1 228 $	42 108 $
	$	40 880 $	1 228 $	42 108 $

Assets estimated at fair value according to Level 3 :

	2023	2022
Balance at beginning of year	**1 228 $**	461 $
Total of gains or losses recognized :		
Net income	**45**	7
Acquisitions	**32**	760
Balance as at December 31	**1 305 $**	1 228 $

There were no transfers between Levels 1, 2 and 3 for the years ended December 31, 2023 and 2022.

Determination of fair value of financial instruments
The fair value of financial instruments is determined according to the following methods :

- Limited partnerships are valued using valuation techniques based on a significant portion of observable market parameters.
- The fair value of the share in the capital of Promutuel Réassurance and the Promutuel Guarantee Fund is determined based on the redemption value of the share since these are redeemable at a price determinable at the time of issue and cannot be modified by subsequent financial results.
- The fair value of cash, other accounts receivable and creditors is assumed to correspond to their book value, considering their short-term maturity or the fact that the interest rate for the instrument is close to the observable current market rates.

Sensitivity of financial instruments classified as Level 3 :
The Company performs sensitivity analyzes to measure the fair value of financial instruments classified as Level 3. The effect of the substitution of unobservable inputs by one or more assumptions does not result in a significant change in fair value.

Notes to Financial Statements

Fiscal year ending December 31, 2023
(in thousands of Canadian dollars, unless otherwise specified)

28 TRANSACTIONS CONCLUDED WITH RELATED PARTIES AND WITH GROUPE PROMUTUEL INSTITUTIONS

A) Transactions with related parties

Compensation of key management personnel

The key management personnel comprise all members of the Board of Directors as well as the managerial staff of the Company. The cumulative compensation of the key management personnel is :

As at December 31, 2023	**Board of directors**		**Managerial staff**		**Total**	
Short-term benefits	**196**	**$**	**986**	**$**	**1 182**	**$**
Post-employment benefits			**68**		**68**	
Total compensation as at December 31, 2023	**196**	**$**	**1 054**	**$**	**1 250**	**$**

As at December 31, 2022	**Board of directors**		**Managerial staff**		**Total**	
Short-term benefits	158	$	802	$	960	$
Post-employment benefits			114		114	
Total compensation as at December 31, 2022	158	$	916	$	1 074	$

B) Transaction with Groupe Promutuel institutions

The Company is a member of Groupe Promutuel Fédération de sociétés mutuelles d’assurance générale. It has an equity interest in Promutuel Reinsurance as well as Group Promutuel Fédération’s Guarantee Fund. The Company holds shares in limited partnerships for investment portfolio management purposes. Groupe Promutuel institutions are not parties related to the Company.

The Company participates in multi-employer defined benefit pension plans that include Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale. Details on pension plans are presented in Note 9.

Other transactions with Groupe Promutuel institutions entered into in the normal course of business include:

Institutions part of Groupe Promutuel Fédération de sociétés mutuelles d’assurance générale, including transactions with Promutuel Reinsurance:

	2023		2022	
Transfer of reinsurance on premiums	**8 701**	**$**	8 730	$
Amounts recovered from reinsurers for claims incurred	**6 104**		11 400	
Insurance service expenses	**6 525**		5 548	
Investment fees	**5**		4	
Investment income			(109)	
Other	**2 558**		1 995	

www.promutuelassurance.ca/outaouais-valley

PROMUTUEL
INSURANCE
OUTAOUAIS VALLEY