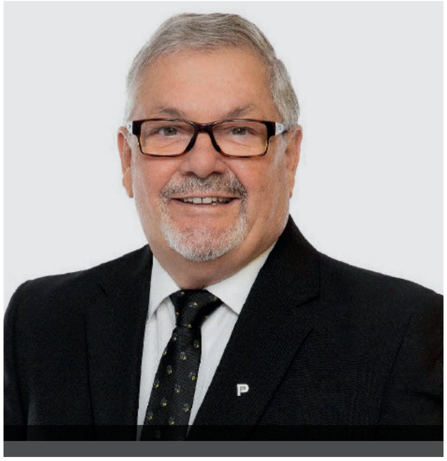
2022 ANNUAL REPORT

A Long Tradition of Insurance

PROMUTUEL
INSURANCE
OUTAOUAIS VALLEY

A Long Tradition of Insurance



Denis Larivière
President

In 2022, Promutuel Insurance was in a celebratory mood as Groupe Promutuel turned 170. We proudly recalled our identity as part of the mutual group founded in Québec in 1852 to protect the assets of its people. We emphasized our values of cooperation, mutual aid, and solidarity by continuing to contribute to our community's vitality, and we reaffirmed our desire to sustain our long tradition of insurance by meeting the needs of our insured members!

As the insurance industry faces rapid changes every day that it must adapt to, our Mutual Insurance Association has taken the time to carefully consider the challenges ahead, including the consolidation of major industry players, climate change increase, labour shortage, and uncertainty caused by the current socioeconomic environment. We are closely monitoring all of these disruptive trends in the insurance industry. Optimists by nature, we see these challenges as an opportunity to improve, strengthen our position in certain markets, and continue to promote our mutualist values within the community.

We are happy with our progress in recent decades, confident we have a promising future, and even prouder of the community focus we are known for. Our regional presence, coupled with our knowledge of local communities and the needs of their residents, gives us unparalleled expertise and enables us to provide personalized service to our insured members. We are truly THERE—as we have been for a long time—thanks to our dedicated leaders and staff who are committed to seeing our Mutual Insurance Association succeed.

Focused on the future

Spurred on by our rich history and strong values of solidarity, our team is focused on the future. Along with Groupe Promutuel, we continue to take important steps to ensure our organization's profitable growth and continued development in a turbulent market.

Our team has gone above and beyond to carry out our business plan and achieve the objectives set out in our 2020–2023 Strategic Plan. With perseverance and diligence, we have continued to optimize our operational performance, revised our underwriting standards, and adjusted our pricing to ensure the financial health of our Mutual Insurance Association and protect member equity.

Even after all these years, we are still young at heart, and we are continually reinventing ourselves to always serve you better. In response to modernization in the agricultural sector, labour shortage, and challenges with claims, we have launched various initiatives to meet all your insurance needs and allow our Mutual Insurance Association to continue to shine!

Ahead of the game in agricultural insurance

Our story is closely intertwined with the agriculture sector. Promutuel Insurance still stands above the crowd in Québec agricultural insurance because of the trust you have put in us for so many years and the solidarity and mutual assistance values that define our relationship.

Éric Hayes
General Manager

Our mutualist values are alive and well

Promutuel Insurance is well aware of the regional challenges of running a farming operation. Even so, we are continually expanding our initiatives to maintain our top spot in that sector of our industry. For example, in 2022 we established an Agriculture Leadership Committee within Groupe Promutuel to identify areas of improvement in each of our lines of business. We are also providing ongoing training for our employees through our Agriculture Mentorship Program, and we proactively monitor new agricultural technologies to meet the needs of Québec farmers.

Our workforce: The Promutuel Insurance difference!

At Promutuel Insurance, every employee genuinely contributes to the organization's growth. Given the labour shortage, which skyrocketed during the pandemic, we, too, need to get creative to attract new talent. To make the telemedicine services we already provide to all our staff even better, we have launched an improved Employee and Family Assistance Program featuring on-demand access to mental health, legal, tax, financial, and other specialists.

We embody the mutualist values of our Mutual Insurance Association every day. Our teams benefit from motivating challenges, a healthy work-life balance, and genuine caring. The Promutuel Insurance difference helps us maintain high levels of employee commitment and retention, giving us an edge, despite recruitment challenges.

Ongoing claims challenges

Ever since the pandemic disrupted everyone's day-to-day lives, the insurance industry has been grappling with ongoing claims challenges in both car and home insurance.

The shortage of car parts is still a problem, which means that repairs after an accident take longer and cost more than usual. Another issue is the cost of materials, because its constant fluctuations significantly affect the severity of home insurance losses.

The labour shortage, which is hitting Québec businesses hard, is expected to increase in the coming years. It has also been affecting many of our partners and suppliers. Unfortunately, some of these businesses have had no choice but to close.

To reduce the impact of this new reality on our insured members, we have made significant changes to our Promutuel Insurance Signature Network, particularly in home insurance. This extensive list of trusted partners allows us to provide turnkey service during a claim and give our insured members greater peace of mind. We also started reviewing our claims processes over the past year. This work will be ongoing in 2023 to ensure continuous improvement and increase the satisfaction rate of our valued clients.

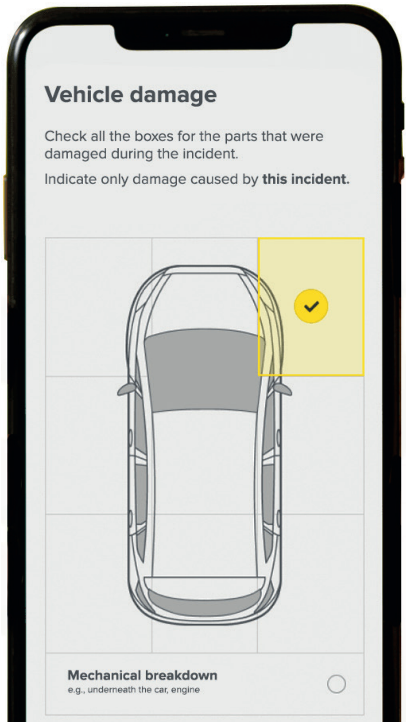
An improved member experience

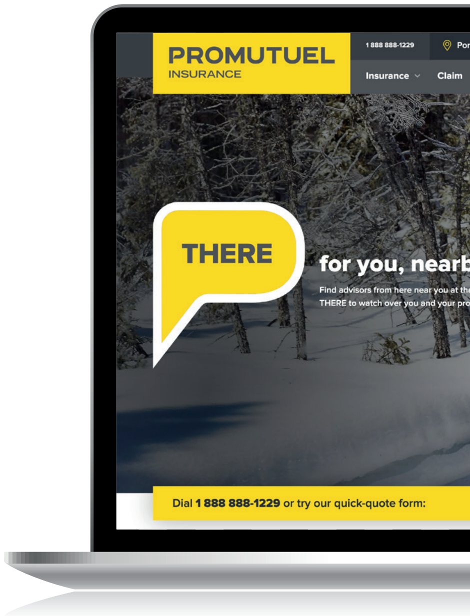
To continually meet the needs of our insured members even more, both in business and personal insurance, Promutuel Insurance launched a number of products and services in 2022 to keep providing them with a standout experience.

Online claims service in the Client Space

Our insured members can now submit a claim online (promutuelassurance.ca/en) so that a claims adjuster can process it as quickly as possible.

We are listening to you





RÉSEAU
SIGNATURE
PROMUTUEL INSURANCE

New home insurance Signature Network

We choose the cleaners and contractors in our Promutuel Insurance Signature Network for their high-quality services, to ensure the satisfaction of our insured members.

New website launched

In addition to presenting a strong, consistent brand, our new website (promutuelassurance.ca/en) provides an enhanced user experience and optimized web performance.

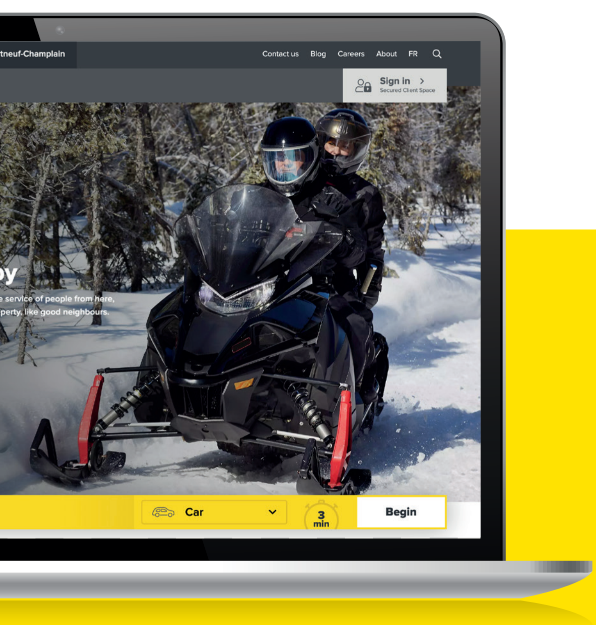
Québec's first damage insurance rewards program (Appi)

Our one-of-a-kind telematics app rewards good driving with gift cards valid at many local businesses (promutuelassurance.ca/en).

Major tech projects underway

In 2022, Promutuel Insurance continued to ramp up its technological and digital shift in order to develop the technological capabilities needed to keep our organization sustainable and successful moving forward.

The work to strengthen and modernize our technology infrastructure and enhance Promutuel Insurance's digital services will help us leverage business technology solutions to achieve our strategic goals.



THERE when you need us

We are very proud of the results we achieved in 2022. They are a testament to the hard work of our entire team to mitigate the frequency and severity of claims. Our results also reflect the sound decisions made in recent years to shape the future of our business.

Our performance shows that our organization's mutualist model is still relevant, allowing us to be THERE when you need us!

1

Rising premium volumes

Despite fierce competition in the damage insurance industry, our premium volumes have continued to grow. At the end of the year, our premium volume was $55,683,000, up 4% compared to 2021.

These positive results reflect our excellent client retention and ongoing efforts to provide top-notch services to our insured members.

Achieving our goals remains a top priority for our team, and we will continue pursuing them in the coming months to make sure our Mutual Insurance Association is successful. We will keep offering a unique member experience with personalized services to meet the insurance needs of locals.

$55.7M

Written premiums

2

Loss ratio

When a loss occurs, processing our insured members' claims is our top priority. Unfortunately, the steady increase in the number of extreme weather events is making things difficult for them.

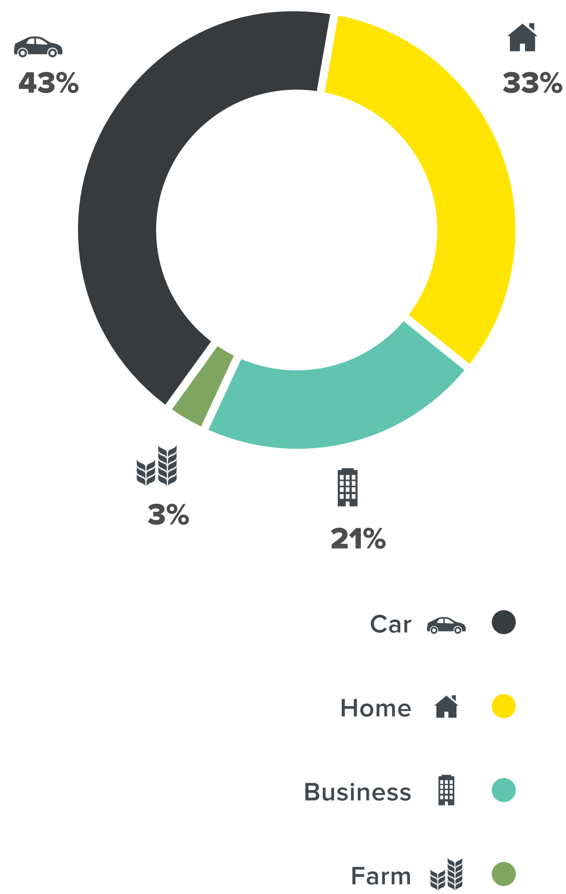
Despite the mild weather in 2022, one major weather event in particular resulted in significant losses for our Mutual Insurance Association: the May 22 storm, which hit our region hard.

We paid out a total of $35,728,000 in compensation to insured members who suffered losses, bringing our loss ratio to 66%, compared to 46% in 2021.

In keeping with Promutuel Insurance's reputation, our insured members who were impacted received efficient, personalized follow-up. Our seasoned prevention experts also had the opportunity to provide valuable advice to help prevent future losses. Check out some of their tips at werethere.ca.

Distribution of premiums

As of December 31, 2022



3

Insurance earnings

Our work has clearly paid off! Combining income from premiums, expenses related to the compensation of insured members for losses, and operating costs to keep us running smoothly gives us insurance earnings of $3,319,000 at the end of 2022.

This points to our outstanding performance in 2022 and reflects the unparalleled expertise of our Mutual Insurance Association and our team in protecting the assets of people in our region for the last 170 years!

$35.7M
Compensation

$3.3M
Insurance earnings

30,742
Insured members

$33.8M
Member equity

THERE to give back to the community

Our Mutual Insurance Association continues to be very present and rooted in the community. Besides being recognized for our insurance expertise, we are proud to be THERE, after all these years, promoting our mutualist values and contributing to the economic and social well-being of our region by giving back in various ways.

Donations and sponsorships

We are very involved in our community, both geographically—due to the location of our head office—and collectively. That means we know how to make a real difference in our region.

Year after year, we gladly fund, sponsor, and support causes and organizations that contribute to the well-being of local residents. In 2022, we supported Grand défi Pierre Lavoie, Carrefour jeunesse-emploi du Pontiac, the Campbell's Bay Litchfield Fire Department for the purchase of a rescue tool, Festival Western Saint-André-Avellin, Festival country de Fort-Coulonge-Mansfield, Festival des bûcherons de Namur, and the Shawville Fair. We also supported Moisson Outaouais by making two $5,000 donations as part of fundraising campaigns to help local disadvantaged families and children.

Our staff members, who share our organization's mutualist values, also really enjoyed meeting you at events held in our region, including Grands Feux du Casino Lac-Leamy, for which we were a major sponsor.

A generous team

To promote the mutual assistance movement within our team, Promutuel Insurance Outaouais Valley also encouraged its staff to volunteer at Moisson Outaouais. Many team members came out to fill lunch bags for youth and food boxes for families in need. This tremendous generosity brought joy and comfort to many Québec families.

More than $86,000 in donations and sponsorships in 2022

Members of our staff at Grands Feux du Casino Lac-Leamy.

From left to right: Éric Hayes, General Manager; Caroline G. Cloutier, Marketing and Philanthropy Coordinator; and Armand Kayolo, Executive Director of Moisson Outaouais.

Awards and recognition

Manon Mongrain receives the 2022 Pantheon Award

Each year at Groupe Promutuel's annual conference, the Pantheon Awards are given to recognize the exceptional contributions of directors, officers, and staff to the improvement of our organization.

This year, to mark our 170th anniversary, 17 people were inducted into the Promutuel Insurance Pantheon, including our colleague Manon Mongrain.

Now retired, Manon exemplified professionalism throughout her 32-year career with Promutuel Insurance Outaouais Valley.

She excelled as Claims Manager for many years, while remaining very close to her employees and serving insured members as she would have liked to be served—with class. Congratulations on your well-deserved recognition!

THANK YOU to our partners and collaborators!

With a long tradition of insurance, our Mutual Insurance Association is close by, here in our beautiful region, to better serve you and protect your assets.

To that end, we are fortunate to have many collaborators, partners, and suppliers who contribute every day to growing our Mutual Insurance Association through their expertise and knowledge.

Thanks to our loyal employees and collaborators! With diligence and professionalism, you bring our values to life when it comes to our insured members so that each and every interaction with us is a standout experience. You prove that you belong in our wonderful family by embodying the Promutuel Insurance difference every day!

Our sincere thanks also go out to our network of brokers, these loyal business partners who meet the needs of their valued clients by offering insurance products tailored to their realities.

Finally, we would be remiss not to acknowledge the continued trust our insured members place in us. Working closely with you is a privilege that constantly pushes us to reinvent ourselves to better meet your needs.

Denis Larivière
President

Éric Hayes
General Manager

Coordination and writing:
Groupe Promutuel Communications and Public Affairs Department

Graphic design:
Groupe Promutuel Marketing and E-business Department

6 points of service
www.promutuelassurance.ca/en/outaouais-valley

PROMUTUEL
INSURANCE
OUTAOUAIS VALLEY

2022 FINANCIAL REPORT

A Long Tradition of Insurance

PROMUTUEL INSURANCE

OUTAOUAIS VALLEY

To uphold our mutualist values

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

Similarly, Groupe Promutuel must adopt the 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.

Functions and responsibilities of executives

Our directors and executives must be honest, fair, and ethical. While showing all the integrity expected of them, they must also possess and develop the skills they need to fulfill the functions, responsibilities, and obligations incumbent upon them. With a view to sound and prudent management, Groupe Promutuel has taken steps to include on the board of directors a member with specific expertise in information and communication technologies.

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 a variety of 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.

Promutuel Insurance has therefore undertaken important 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.

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 deontology

An ethics committee that reports to the board of directors ensures that Groupe Promutuel applies a code of ethics and deontology that addresses both potential and apparent conflicts of interest. The ethics 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

Directors

On December 31, 2022, the 30 742 members of Promutuel Outaouais Valley are represented on the Board of Directors by:

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

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

On October 26, 2022, Gary Thompson stepped down as member of the board of directors.

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, 2022 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 22, 2023

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 December 31, 2022, 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 December 31, 2022, 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.

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

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

Quebec, February 22, 2023

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 December 31, 2022 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.

I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the insurer financial records.

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.

Catherine D'Astous

Catherine D'Astous, FCAS, FICA
Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale

Quebec, February 22, 2023

Income and Comprehensive Income

For the year ended December 31,
in thousands of Canadian dollars, except as otherwise noted

INCOME STATEMENT	**2022**	2021
INCOME		
Written premiums	**55 683 $**	53 381 $
Decrease (increase) of gross unearned premiums	**(1 514)**	(202)
Gross premiums earned	**54 169**	53 179
Ceded to reinsurer	**12 242**	11 137
Net premiums earned	**41 927**	42 042
COST OF LOSSES		
Indemnities and inherent fees	**35 728**	24 478
Recovery from the reinsurer	**11 039**	6 665
Net losses	**24 689**	17 813
CHARGES		
Operating	**16 258**	15 760
Premium tax	**1 824**	1 838
Reinsurance commissions income	**(3 947)**	(2 847)
Other incomes related to transaction costs	**(216)**	
Total of net costs	**13 919**	14 751
INSURANCE EARNINGS	**3 319**	9 478
Net investment income (Note 7)	**1 038**	1 817
Interest on lease obligations	**(94)**	(102)
Interest revenues (expenses) on pension plans financing and on representation termination fund	**(136)**	(162)
Other income (Note 8)	**1 002**	341
Other charges (Note 9)	**(2 366)**	(2 366)
EARNINGS BEFORE INCOME TAXES	**2 763**	9 006
Income taxes (Note 11)	**700**	2 340
NET INCOME	**2 063 $**	6 666 $

COMPREHENSIVE INCOME STATEMENT		
NET INCOME	**2 063 $**	6 666 $
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to net income		
Unrealized gains (losses) on available for sale financial assets, net of income taxes	**(1 976)**	340
Reclassification in the net income of the year, realized losses (gains) on available for sale financial assets, net of income taxes	**81**	(520)
	(1 895)	(180)
Items that will not be reclassified subsequently to net income		
Actuarial gains (losses) on pension plans, net of income taxes	**3 085**	1 651
Total of other comprehensive income	**1 190**	1 471
COMPREHENSIVE INCOME	**3 253 $**	8 137 $

Changes in Equity

For the year ended December 31,
in thousands of Canadian dollars, except as otherwise noted

	Contri-buted surplus	Preferred shares	Retained earnings	Accumulated other comprehensive income: Gains (losses) on investments available for sale	Accumulated other comprehensive income: Actuarial gains (losses) on pension plans	Total
BALANCE ON DECEMBER 31, 2020	11 594 $	4 150 $	12 208 $	1 770 $	(3 087) $	26 635 $
Comprehensive income			6 666	(180)	1 651	8 137
Redemption of preferred shares		(2 925)				(2 925)
Interest on preferred shares			(98)			(98)
BALANCE ON DECEMBER 31, 2021	11 594 $	1 225 $	18 776 $	1 590 $	(1 436) $	31 749 $
Comprehensive income			2 063	(1 895)	3 085	3 253
Redemption of preferred shares		(1 225)				(1 225)
Interest on preferred shares			(27)			(27)
BALANCE ON DECEMBER 31, 2022	**11 594 $**	**$**	**20 812 $**	**(305) $**	**1 649 $**	**33 750 $**

Cash Flows Statement

For the year ended December 31,
in thousands of Canadian dollars, except as otherwise noted

	2022	2021
OPERATING ACTIVITIES		
Net income	**2 063 $**	6 666 $
Non cash items		
Depreciation of tangible capital assets	**230**	280
Depreciation of intangible assets	**2 366**	2 366
Depreciation of right-of-use assets	**167**	166
Losses (gains) on investments	**110**	(708)
Losses (gains) on disposal of tangible capital assets		(3)
Pension plans charges	**1 002**	1 142
Deferred income taxes	**(898)**	(717)
Capitalized income on investment		(9)
Interest on lease obligations	**94**	102
	5 134	9 285
Current income taxes on the other accumulated comprehensive income	**683**	65
Reduction (increase) of other operational assets and liabilities		
Operational debtors	**(1 807)**	2 363
Current income taxes receivable	**(1 145)**	(375)
Other asset items, excluding pension plans assets	**(816)**	915
Provisions	**4 170**	(3 294)
Operational creditors	**150**	(2 023)
Payable income tax liabilities	**(664)**	(2 502)
Contributions to pension plans	**(422)**	(415)
	5 283	4 019
INVESTING ACTIVITIES		
Acquisitions		
Investments	**(10 181)**	(13 175)
Tangible capital assets	**(112)**	(132)
Dispositions		
Investments	**7 422**	11 424
Tangible capital assets	**11**	11
	(2 860)	(1 872)
FINANCING ACTIVITIES		
Repayment of lease obligations	**(230)**	(224)
Redemption of preferred shares	**(1 225)**	(2 925)
Interest on preferred shares	**(27)**	(98)
	(1 482)	(3 247)
Increase (decrease) in cash and cash equivalents	**941**	(1 100)
Cash and cash equivalents, beginning of year (Note 13)	**2 108**	3 208
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 13)	**3 049 $**	2 108 $

Balance Sheet

As at December 31,
in thousands of Canadian dollars, except as otherwise noted

ASSETS	**2022**		2021	
LIQUIDITIES AND INVESTMENTS				
Cash and cash equivalents	**3 049**	**$**	2 108	$
Investments (Note 14)	**42 108**		42 037	
	45 157		44 145	
PREMIUMS RECEIVABLE AND OTHER DEBTORS				
Accrued investment income	**17**		1	
Premiums receivable (Note 16)	**20 032**		18 820	
Reinsurer	**732**			
Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale	**69**		69	
Other debtors	**36**		189	
	20 886		19 079	
CURRENT INCOME TAX ASSETS	**1 520**		375	
OTHER ASSETS				
Share of the reinsurer in the provisions of:				
Claims being settled (Note 21)	**3 441**		3 931	
Unearned premiums (Note 22)	**5 880**		4 717	
Deferred charges (Note 17)	**1 508**		1 365	
Others	**24**		24	
	10 853		10 037	
DEFERRED INCOME TAX (Note 11)	**682**		896	
RIGHT-OF-USE ASSETS (Note 18)	**1 160**		1 305	
TANGIBLE CAPITAL ASSETS (Note 19)	**2 674**		2 817	
INTANGIBLE ASSETS (Note 20)	**2 371**		4 737	
	85 303	**$**	83 391	$

Commitments and contingencies (Note 30)

FOR THE BOARD OF DIRECTORS

Denis Larivière, President

François Chartier, Vice-president

Balance Sheet

As at December 31,
in thousands of Canadian dollars, except as otherwise noted

LIABILITIES	**2022**		2021	
PROVISIONS				
Claims being settled (Note 21)	**14 224**	**$**	11 974	$
Unearned premiums (Note 22)	**28 573**		27 059	
Unearned reinsurance commissions (Note 23)	**2 057**		1 651	
	44 854		40 684	
CREDITORS				
Reinsurer	**544**		938	
Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale	**1 127**		521	
Accrued expenses and other suppliers (Note 24)	**3 165**		3 241	
	4 836		4 700	
CURRENT INCOME TAX LIABILITIES			664	
PENSION PLAN LIABILITIES (Note 10)	**484**		4 101	
LEASE OBLIGATIONS (Note 25)	**1 379**		1 493	

EQUITY				
Contributed surplus	**11 594**		11 594	
Preferred shares (Note 27)			1 225	
Retained earnings	**20 812**		18 776	
Accumulated other comprehensive income (Note 28)	**1 344**		154	
	33 750		31 749	
	85 303	**$**	83 391	$

Notes to Financial Statements

For the year ended December 31, 2022
in thousands of Canadian dollars, except as otherwise noted

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 INFORMATION RELATED TO THE COVID-19 PANDEMIC

The COVID-19 pandemic, which the WHO declared on March 11, 2020, has had a significant impact on the global economy and the Company's business environment. The impacts of the crisis have been in constant flux since the start of the pandemic and the Company expects capital markets to remain volatile, until the COVID-19 crisis is over and economies are fully restarted . The Company's risk management (Note 34) and capital management (Note 29) programs have partially mitigated the impact of the crisis on its results and the Company believes that its financial position remains solid. Management made important estimates, assumptions, and judgments when preparing the financial statements that take into account the uncertainties caused by the pandemic, the duration and future impacts of which are difficult to assess.

COVID-19 impacted the preparation of the financial statements in the following ways :

- Valuation of investments: The Company evaluated the quantitative model for impairment of its available-for-sale financial assets (Note 3) due to the volatility and uncertainty of financial markets. Based on market conditions at the reporting date, the Company applied its usual impairment model.
- Provision for claims in the process of settlement: The pandemic has introduced new uncertainties and estimates when establishing the provision for unreported claims as at December 31, 2022. The Company has applied judgment and actuarial standards to determine the provision for claims in the process of settlement (Note 21), using various scenarios and assumptions based on available information.
- Pension plans: The assumptions used to measure the defined benefit obligation and pension plan assets were affected by COVID-19's impact on the financial markets. The main assumptions and sensitivity analyses are presented in Note 10.

3 SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF PRESENTATION

The significant accounting policies described below have been applied consistently by the Company to all periods presented in these financial statements, unless otherwise indicated. See Note 5 for the new accounting policies applied during the year.

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. The Canadian dollar is the Company's functional and presentation currency. The financial statements are rounded to the nearest thousand dollars, unless indicated otherwise. They have been prepared on an historic cost basis except for the following assets and liabilities that have been measured at fair value or in consideration of the time value of money :

- financial assets available for sale
- financial assets at fair value through profit and loss
- share of the reinsurer in the provision of claims being settled
- provision of claims being settled

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 22, 2023.

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.

Notes to Financial Statements

For the year ended December 31, 2022
in thousands of Canadian dollars, except as otherwise noted

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS — FINANCIAL ASSETS AND LIABILITIES

The Company classifies its financial instruments by category according to their nature, characteristics and their use by the Company at the time of initial recognition. On initial recording, all financial instruments must be measured at fair value. After initial recording, the valuation of financial instruments depends on their classification :

Financial assets or liabilities	Classification and Designation
Cash and cash equivalents	Held at fair value through profit and loss
Investments in limited partnerships	Available for sale
Promutuel Réassurance and Promutuel Guarantee Fund	Available for sale
Debtors	Loans and accounts receivable
Creditors	Other liabilities

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.

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

a) Assets and liabilities held at fair value through profit and loss
The financial assets and liabilities are carried at fair value on the balance sheet and any change in fair value as well as all gains and losses on disposal are recognized in the income statement.

b) Assets held to maturity and loans and accounts receivable
Financial instruments classified as loans and receivables and assets held to maturity are carried at amortized cost according to the effective interest method. Interest calculated according to this method as well as gains and losses on disposal are recognized in the income statement.

At each financial statement date, the Company considers the issuer's financial difficulties, a bankruptcy or a failure to pay interest or principal as evidence of depreciation. When there is an indication of depreciation, a loss provision is made to adjust the book value. This provision is immediately recognized in the income statement.

c) Assets available for sale
The financial assets classified as available for sale are measured at fair value. Gains and losses are recognized in other comprehensive income until derecognition or until the assets suffer a loss in value. At that time, the cumulative gains or losses in the accumulated other comprehensive income are reclassified in the income statement.

A loss in value is considered when there is a decrease of the fair value and when there is objective evidence of a continued depreciation of this asset. The amount of the loss is equal to the difference between the amortized acquisition cost and the current fair value less any loss in value previously recognized.

When the fair value of a debt instrument classified as available for sale increases over a subsequent period, and such increase may objectively be related to an event occurring after the impairment loss is accounted for in net income, the said loss is reversed and accounted for in income up to the maximum amount of the loss accounted for previously. However, impairment losses accounted for in income for an equity instrument classified as available for sale are not reversed in income, but are recorded in other comprehensive income.

The interest on debt instruments is calculated according to the effective interest method and is included in the income statement. Dividends on equity instruments are recognized in the income statement as soon as the Company's right to receive payment is established. The exchange gains or losses on the financial assets classified as assets available for sale are recognized in the other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS — FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

c) Assets available for sale (continued)

The Company classifies as assets available for sale the equity instruments that are not quoted in an active market and whose fair value cannot be measured reliably. If there is objective evidence of depreciation of these assets, the amount of the loss in value is equal to the difference between the book value and the current value of estimated future cash flows determined at the current interest rate for similar assets.

d) Other financial liabilities

Financial instruments classified as other financial liabilities are carried at the amortized cost using the effective interest rate method. Interest calculated using this method is included in the income statement. If there is a derecognition of the financial instrument, gains and losses are recognized in the income statement.

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.

REINSURANCE AND SHARE OF THE REINSURER IN THE PROVISIONS

In the ordinary course of business, the Company uses reinsurance to limit its risk exposure. The ceded reinsurance means the transfer of an insurance risk and of the premium to its reinsurer. It shows the balances related to the reinsurance on the basis of gross balance in the balance sheet to indicate the extent of the credit risk associated with the reinsurance as well as its obligations to policyholders.

a) Share of the reinsurer in claims being settled

The amounts of reinsurance that the Company expects to recover in relation with unpaid claims and settlement costs are recorded as assets at the same time and according to the principles consistent with the method used by the Company to determine the related liability.

b) Share of the reinsurer in unearned premiums

The reinsurer's share in the unearned premiums is recorded as an asset at the same time and according to the principles consistent with the method used by the Company to determine the liability for unearned premiums.

DEFERRED CHARGES

Deferred charges include agent commissions, premium tax and other expenses directly associated with the acquisition of premiums. These expenses are deferred and amortized over the term of the related policies to the extent that they are considered recoverable, after taking into account claims and related expenses and expected investment income. They are amortized on the basis of the premium recognition in the income statement.

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 %

Notes to Financial Statements

For the year ended December 31, 2022
in thousands of Canadian dollars, except as otherwise noted

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TANGIBLE CAPITAL ASSETS (CONTINUED)

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. They are presented in the charges in the income statement.

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. They are presented in the charges in the income statement.

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.

PROVISIONS

a) Claims being settled
Estimates of individual losses are provided for each reported claim. In addition, provisions are made for claim expenses, the materialization of reported claims and for claims incurred but not reported, based on past experience and effective insurance policies. The provision is established according to the Canadian method, which is consistent with the practice established by the Canadian Institute of Actuaries (CIA). As required by the standards of practice of the Canadian Institute of Actuaries and the regulatory requirements, the provision for claims being settled is presented taking into account the time value of money with a margin for adverse deviations. The necessary estimates are reviewed periodically and the modifications that can be made are reflected in the income statements for the year. Recoveries and recoveries by subrogation are recognized when it is probable that they will arise.

b) Unearned premiums
Premiums are transferred to the income statement during the term of the contracts according to the daily expiry method. Unearned premiums represent the non-consumed proportion of the contracts at the end of the period.

c) Unearned reinsurance commissions
Unearned reinsurance commissions are recognized as a liability in accordance with principles consistent with the method used by the Company to determine the deferred sales charges.

PREMIUM DEFICIENCY

At each date of financial statements, the Company assesses the adequacy of its provision for unearned premiums to cover future costs associated with existing contracts. An assessment is performed to estimate the future costs of claims and related net costs of the generated investment income. Any shortfall in the provision is recorded as a reduction of deferred charges. If the deferred charges are insufficient, the excess is recognized in the income statement and a provision is recorded as a liability.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

PREMIUMS AND INSURANCE CONTRACTS

Contracts are classified as insurance contracts when they include at least one significant insurance risk. The Company determines the significant risk following the analysis of the characteristics of standard contracts. Contracts that do not meet this definition are classified as investment contracts.

All contracts issued by the Company meet the definition of an insurance contract. Premium income from insurance contracts and contracts accepted for reinsurance are accounted for when the premiums become due. Premiums are allocated to income as contracts reach term according to the daily expiry method. The portion of premium income corresponding to the unexpired proportion of contracts at year-end is included in unearned premiums under liabilities.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

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 2 to 15 years.

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 18) and lease obligations (Note 25) are presented separately in the Company’s balance sheet. Interest expense is presented separately in income and depreciation is presented in operating expenses.

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 35 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.

4 SIGNIFICANT ACCOUNTING 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.

Significant estimates on the assessment of claims being settled are disclosed in Note 21 and those concerning employee benefits are disclosed in Note 10.

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 losses.

5 CHANGES IN ACCOUNTING POLICIES

i) New accounting policies applied

AMENDMENTS TO IFRS 4 INSURANCE CONTRACTS FOR THE APPLICATION OF IFRS 9 FINANCIAL INSTRUMENTS

In September 2016, the IASB published an amendment to IFRS 4 “Insurance Contracts", titled "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts." The Company adopted the amendments to IFRS 4 "Insurance Contracts", which are intended to address insurers' concerns regarding the different effective dates of IFRS 9 "Financial Instruments" and the new IFRS 17 "Insurance Contracts". The amendments allow insurance companies to choose between two approaches, either the deferral approach until the effective date of IFRS 17 or the overlay approach.

The Company adopted the provisions of this amendment to financial statements relating to fiscal years beginning on or after January 1, 2018. The Company opted for the deferral approach and completed an assessment as at December 31, 2018 following its merger. The Company concluded that its activities are mainly related to insurance, since the ratio of its insurance contract liabilities to its total liabilities is above the 80% threshold. This assessment has not been revised since the activities of the Company have not undergone any significant changes. Thus, the Company avails itself of the temporary exemption and will continue to apply IAS 39 to its financial assets until the date of entry into force of IFRS 17 "Insurance contracts" as presented in section below.

In June 2020, the IASB published an amendment to IFRS 17 "Insurance Contracts" to defer application of this standard to fiscal years beginning on or after January 1, 2023.

However, in the meantime, the Company is required to present additional information relating to the classification (see section below), the fair value of the financial assets (Notes 14 and 15) as well as their credit rating (Note 34) .

ii) New standards issued but not yet in effect

The IASB published new standards for which application will be mandatory in upcoming fiscal years. Many of these new standards will have no impact on the Company's financial statements, and therefore, are not addressed here. Here are the principal standards that have been issued, but not yet in effect, that could have and impact on the financial statements.

IFRS 9 FINANCIAL INSTRUMENTS

In 2014, the IASB published IFRS 9 "Financial Instruments", which will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting.

The effective date of IFRS 9 has been set for fiscal years beginning on or after January 1, 2018. In September 2016, the IASB issued amendments to the standard relating to the application of IFRS 9 by insurance companies. The Company is taking advantage of the deferral of the application of this standard as specified in Section i above and will adopt it together with IFRS 17 "Insurance Contracts" on the required date of January 1, 2023. The Company will recognize the measurement differences of IFRS 9 by adjusting its balance sheet as at January 1, 2023, so that comparative information will not be restated.

in thousands of Canadian dollars, except as otherwise noted

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

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. This classification model is based on the contractual cash flow characteristics of the financial asset and the business model under which it is held.

The Company's primary business model is a model whose objective is achieved both by collecting contractual cash flows and by selling financial assets when needed to fund insurance contract liabilities. With respect to the criterion of cash flows which correspond only to principal repayments and interest payments on the principal, the analysis is done instrument by instrument. For the classification and measurement of financial liabilities, the new standard essentially reflects the current requirements of IAS 39.

The following table presents the expected classification of financial instruments:

Financial assets or liabilities	Classification IAS 39	Classification IFRS 9
Cash and cash equivalents *	Held at fair value through profit and loss	AC
Investments in limited partnerships	Available for sale	FVTPL
Promutuel Réassurance and Promutuel Guarantee Fund	Available for sale	FVTPL
Debtors *	Loans and accounts receivable	AC
Creditors	Other liabilities	AC

AC : Amortised cost
FVTPL : Fair value through profit or loss
FVOCI : Fair value through other comprehensive income

* In accordance with the guidelines of the standard, the contractual characteristics of these financial assets give rise to cash flows which correspond only to principal repayments and interest payments on the principal.

Impairment model – Expected credit losses

The standard also introduces a unique impairment model for financial assets requiring recognition of expected credit losses ("ECLs") rather than recognition of incurred losses as required by the current 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.

Based on the preliminary assessment, the ECL model is not expected to have a significant impact as the Company's investment portfolio is of high quality.

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

IFRS 17 INSURANCE CONTRACTS

In 2017, the IASB issued IFRS 17 "Insurance Contracts", which replaces the provisions of IFRS 4 "Insurance Contracts". The objective 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.

In June 2020, the IASB issued an amendment to IFRS 17 that clarifies certain aspects and defers the effective date to fiscal years beginning on or after January 1, 2023.

IFRS 17 will be applied retrospectively to each insurance portfolio on or after January 1, 2022, such that comparative information will be restated.

Financial impact

The Company continues to assess the impact of IFRS 17 on its financial statements. It believes that the impact of the standard at the time of transition in proportion to members' equity should not be significant.

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 17 INSURANCE CONTRACTS (CONTINUED)

The Company's significant accounting policies, which will be applied in accordance with IFRS 17 in relation to IFRS 4, are summarized below.

Classification and separation of components

The Company must assess 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. 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.

As with IFRS 4, the Company's insurance contracts issued and reinsurance contracts held are all contracts that must be recognized under the insurance contracts standard.

The Company has reviewed its insurance contracts issued and reinsurance contracts held to determine whether they contain separate components that must be recognized under another standard. In conclusion, the insurance contracts do not have any distinct components that require separation.

Level of aggregation of insurance 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. Portfolios are divided into groups based on expected profitability. Groups do not contain contracts issued more than one year apart.

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

Measurement methods

The Company applies the premium allocation approach to all insurance contracts it issues and reinsurance contracts it holds. The coverage period for each contract in the groups does not exceed one year.

Onerous contracts

Under the premium allocation method, upon initial recognition, the Company assumes that no group of contracts is potentially onerous, unless the facts and circumstances indicate otherwise. If, at any time during the period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognizes a loss element for the group.

A loss element, determined based on estimated fulfillment cash flows, is included in the liability for remaining coverage and in profit or loss. The loss element may be mitigated by a loss recovery component if onerous contracts are covered by reinsurance.

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 follows the premium allocation approach, only the incurred claims liability 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.

5 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 17 INSURANCE CONTRACTS (CONTINUED)

Non-financial risk adjustment

The measurement of the liability for claims incurred and the loss element included in the liability for the remaining coverage of insurance contracts includes a non-financial risk adjustment (NFRA) that replaces the margin for adverse deviation under IFRS 4. The 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 NFRA 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 of reinsurance basis and the difference between the two results is used to determine the ARNF applicable to the reinsurance contracts held.

Insurance revenue

Under IFRS 17, written premiums will no longer be reported in the Company's statement of income and comprehensive income. Insurance revenue for the period will include expected premium income allocated to the period. For the Company, the allocation will be based on the passage of time as per IFRS 4.

Insurance revenue will also include other insurance revenue currently recognized in net investment income as "Premium Financing Revenue" under IFRS 4.

Expenses related to insurance activities

Expenses related to insurance activities 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.

With respect to the presentation of expenses related to insurance activities, when expenses are not directly attributable to insurance contracts, they will be classified as other expenses, which will result in changes to the presentation in relation to IFRS 4.

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 commissions and premium taxes, as well as indirect costs such as salaries, rent, and technology and other costs. The Company will select to amortize these costs on a straight-line basis over the coverage period of the groups of insurance contracts to which they relate.

Presentation and disclosure

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

The current balance sheet and income statement presentation will be modified. A number of items will now be included for each portfolio, in insurance contract liabilities or assets and reinsurance assets or liabilities. The presentation of the following items will be changed:

- Claims being settled
- Unearned premiums
- Deferred expenses and unearned reinsurance commissions
- Accounts receivable and payable for insurance contracts issued and held

The aggregations in the statement of operations will also be amended in order to present the performance of insurance contracts issued separately from the cost of reinsurance contracts held. Net costs will be equally allocated between insurance contracts issued and reinsurance contracts held, depending on their nature.

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 will 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 Company expects that the adoption of these provisions will have no material impact on its financial statements.

For the year ended December 31, 2022
in thousands of Canadian dollars, except as otherwise noted

6 TOTAL INCOME

	2022		2021	
Net premiums earned	**41 927**	$	42 042	$
Reinsurance commissions income	**3 947**		2 847	
Other incomes related to transaction costs	**216**			
Investment income	**1 038**		1 817	
Other income	**1 002**		341	
Total income	**48 130**	$	47 047	$

7 NET INVESTMENT INCOME

	For the year ended December 31, 2022									
	At fair value through profit or loss		**Held to maturity**		**Available for sale**		**Loans, accounts receivable and others**		**Total**	
Interest income	**104**	$		$		$		$	**104**	$
Premium financing income							**1 048**		**1 048**	
Total of interest income	104						1 048		1 152	
Fees					**(4)**				**(4)**	
Total net investment income	**104**				**(4)**		**1 048**		**1 148**	
Gains (losses) on disposal of investments					**(110)**				**(110)**	
Total net investment income	**104**	$		$	**(114)**	$	**1 048**	$	**1 038**	$

	For the year ended December 31, 2021									
	At fair value through profit or loss		Held to maturity		Available for sale		Loans, accounts receivable and others		Total	
Interest income	25	$		$	28	$		$	53	$
Premium financing income							1 065		1 065	
Total interest income	25				28		1 065		1 118	
Fees					(9)				(9)	
Total net investment income	25				19		1 065		1 109	
Gains (losses) on disposal of investments					708				708	
Total net investment income	25	$		$	727	$	1 065	$	1 817	$

in thousands of Canadian dollars, except as otherwise noted

8 OTHER INCOME

	2022		2021	
Dividend from reinsurer	**1 002**	$	341	$

9 OTHER CHARGES

	2022		2021	
Depreciation of the clientele	**2 366**	$	2 366	$

10 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, 2019 actuarials valuations. The next valuations must be carried out as at December 31, 2022.

Notes to Financial Statements

For the year ended December 31, 2022
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10 PENSION PLANS (CONTINUED)

The pension plan expense is as follows :	**2022**		2021	
Income statement				
Current service cost (employer)	**872**	**$**	988	$
Plan administration fees	**31**		31	
Net interest on plans financing	**130**		154	
Expenses in income statement	**1 033**		1 173	
Accumulated Other Comprehensive Income				
Return of assets, excluding amounts included in net interest on plans financing	**2 204**		(537)	
Actuarial losses (gains) resulting from changes in assumptions - financial	**(6 459)**		(1 709)	
Variation of capping effect on net assets of defined benefit plan	**58**			
Losses (gains) in accumulated other comprehensive income	**(4 197)**		(2 246)	
Losses (gains) for the period in the other comprehensive income	**(3 164)**	**$**	(1 073)	$
Reconciliation				
Defined benefit plan asset				
Fair value of plans assets at beginning of period	**16 831**	**$**	15 821	$
Actual return of plans assets	**(1 705)**		937	
Employer contributions	**422**		415	
Employee contributions	**449**		412	
Benefits paid and settlements	**(773)**		(777)	
Plans transfers			23	
Fair value of plans assets at end of period	**15 224**	**$**	16 831	$
Defined benefit plan obligation				
Defined benefit obligation at beginning of period	**20 932**	**$**	21 441	$
Service cost for employer (current and past)	**872**		988	
Financial cost	**629**		554	
Actuarial losses (gains) on changes in assumptions	**(6 459)**		(1 709)	
Employee contributions	**449**		412	
Benefits paid and settlements	**(773)**		(777)	
Plans transfers			23	
Fair value of defined benefit obligation	**15 650**	**$**	20 932	$
Capping effect on net assets of defined benefit plan	58			
Pension plan assets (liabilities)	**(484)**	**$**	(4 101)	$

Plans assets are composed of the following items :

Investments quoted in active markets				
Equity	**4 415**	**$**	5 555	$
Bonds	**1 979**		2 861	
Real estate	**3 197**		3 198	
Cash	**152**		168	
Transfer of benefits to an insurance company	**5 481**		5 049	
Fair value of plan assets at end of year	**15 224**	**$**	16 831	$

Notes to Financial Statements

For the year ended December 31, 2022
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10 PENSION PLAN (CONTINUED)

	2022	2021
The effective rate of return of the plans is :	**(11.30) %**	5.83 %

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

	2022	2021
Discount rate	**5.05 %**	3.00 %
Rate of salary increases	**3.00 %**	3.00 %

The mortality table used for the years ended December 31, 2022 and 2021 is named CPM-2014 with projection in scale CPM-B published by Canadian institute of Actuaries.

Sensitivity of defined benefit plans assets (liabilities)

	2022	2021
Increase of 1%		
Change in the discount rate	**(2 012) $**	(3 489) $
Change in the rate of salary	**805 $**	1 315 $
Decrease of 1%		
Change in the discount rate	**2 854 $**	4 748 $
Change in the rate of salary	**(648) $**	(1 060) $
One year increase in life expectancy of retirees at age 65	**412 $**	524 $

Expected contributions for the next few periods
The Company estimates that it must contribute an amount of $434 ($426 in 2021) to its defined benefit plans in the next year.

The average duration of the defined benefit obligation at the end of the period is 14 years (18 years in 2021).

11 INCOME TAXES ON THE COMPREHENSIVE INCOME AND DEFERRED INCOME TAXES

	2022	2021
Income before income taxes	**2 763 $**	9 006 $
Statutory income tax rates federal and provincial	**27 %**	27 %
Income tax calculated at statutory tax rates	**732 $**	2 387 $
Increase (decrease) of income tax rates resulting from the following items :		
Non-taxable income	**(72)**	(49)
Non-deductible expenses	**15**	5
Other	**25**	(3)
Total income tax expense (recovery) in income	**700 $**	2 340 $

The income tax expense is itemized as follows :

	2022	2021
Total income tax expense (recovery) in income	**700 $**	2 340 $
Other comprehensive income		
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on the assets available for sale	**(683)**	(65)
Items that will not be reclassified subsequently to net income		
Actuarial gains (losses) on pension plans	**1 112**	595
Total income tax expense (recovery) in other comprehensive income	**429**	530
Total income tax expense (recovery) in comprehensive income	**1 129 $**	2 870 $

in thousands of Canadian dollars, except as otherwise noted

11 INCOME TAXES ON THE COMPREHENSIVE INCOME AND DEFERRED INCOME TAXES (CONTINUED)

The income tax expense is itemized as follows :	**2022**		2021	
Current income taxes				
Current period	**988**	**$**	3 009	$
Adjustment of previous years	**(73)**		(17)	
	915		2 992	
Deferred income taxes				
Current period	**116**		(136)	
Adjustment of previous years	**98**		14	
	214		(122)	
Total income tax expense (recovery) in comprehensive income	**1 129**	**$**	2 870	$

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 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**	**$**	**9**	**$**		**$**		**$**	**59**	**$**
Tangible capital assets	**35**		**(18)**						**17**	
Intangible assets	**(715)**		**589**						**(126)**	
Insurance provisions [(1)]	**263**		**299**						**562**	
Asset (liability) of pension plans	**1 087**		**153**		**(1 112)**				**128**	
Others	**176**		**(134)**						**42**	
Total deferred income tax asset (liability)	**896**	**$**	**898**	**$**	**(1 112)**	**$**		**$**	**682**	**$**

	For the year ended December 31, 2021									
	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	38	$	12	$		$		$	50	$
Tangible capital assets	39		(4)						35	
Intangible assets	(1 302)		587						(715)	
Insurance provisions [(1)]	293		(30)						263	
Asset (liability) of pension plans	1 489		193		(595)				1 087	
Others	217		(41)						176	
Total deferred income tax asset (liability)	774	$	717	$	(595)	$		$	896	$

(1) *Insurance provisions include net provisions for claims in the process of settlement and deferred acquisition costs.*

12 INFORMATION ON COMPREHENSIVE INCOME

	2022		2021	
Comprehensive income includes the following :				
Staff salaries and fringe benefits	**9 240**	**$**	9 444	$
Depreciation of tangible capital assets	**230**		280	
Depreciation on intangible assets	**2 366**		2 366	
Depreciation of right-of-use assets	**167**		166	
Losses (gains) on disposal of tangible capital assets			(3)	

Notes to Financial Statements

For the year ended December 31, 2022
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13 CASH FLOWS STATEMENTS

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

	2022		2021	
Interest received	**1 136**	**$**	1 127	$
Interest paid (received) on pension plans financing and on representation termination fund	**136**	**$**	162	$
Interest paid on preferred shares	**27**	**$**	98	$
Paid premiums tax	**2 324**	**$**	1 761	$
Current income taxes (recovered) paid	**2 219**	**$**	5 965	$

14 INVESTMENTS

	2022				2021			
	Book value		**Fair value**		Book value		Fair value	
AVAILABLE FOR SALE								
Investments in limited partnerships								
Debt security Funds	**28 413**	**$**	**28 413**	**$**	36 102	$	36 102	$
Equity security Funds	**12 552**		**12 552**		5 537		5 537	
Capitalization Funds	**745**		**745**					
Promutuel Réassurance — Equity investments	**153**		**153**		153		153	
Promutuel Guarantee Fund								
Equity investments	**245**		**245**		245		245	
	42 108	**$**	**42 108**	**$**	42 037	$	42 037	$

15 UNREALIZED GAINS AND LOSSES ON ASSETS CLASSIFIED AS AVAILABLE FOR SALE

	2022							
	Amortized cost		**Unrealized gains**		**Unrealized losses**		**Fair value**	
Investments in limited partnerships								
Debt security Funds	**28 822**	**$**		**$**	**409**	**$**	**28 413**	**$**
Equity security Funds	**12 578**		**93**		**119**		**12 552**	
Capitalization Funds	**725**		**20**				**745**	
Promutuel Réassurance	**153**						**153**	
Promutuel Guarantee Fund	**245**						**245**	
	42 523	**$**	**113**	**$**	**528**	**$**	**42 108**	**$**

	2021							
	Amortized cost		Unrealized gains		Unrealized losses		Fair value	
Investments in limited partnerships								
Debt security Funds	35 012	$	1 090	$		$	36 102	$
Equity security Funds	4 463		1 074				5 537	
Promutuel Réassurance	153						153	
Promutuel Guarantee Fund	245						245	
	39 873	$	2 164	$		$	42 037	$

Impairment loss recognition

Under IFRS, at the end of the year, the Company determines if there are objective indications as to whether certain equity instruments available for sale might have suffered a loss of value. An objective indication for an equity instrument available for sale includes, among others, a significant or prolonged decline in the fair value of the instrument below its cost. No impairment loss has been recognized.

Equity instruments impairment losses classification	**2022**		2021	
Less than 25% below the book value	**119**	**$**		$
Total of unrealized losses on equity instruments	**119**	**$**		$

in thousands of Canadian dollars, except as otherwise noted

16 PREMIUMS RECEIVABLE

	2022		2021	
Premiums receivable				
Agents and brokers				
Less than 90 days	**454**	**$**	477	$
90 days and more	**4**			
Members				
Less than 90 days	**363**		281	
90 days and more	**36**		49	
Premiums with periodical financing	**19 195**		18 033	
	20 052		18 840	
Provision for doubtful accounts	**(20)**		(20)	
	20 032	**$**	18 820	$

The company believes that the provision for doubtful accounts determined on the basis of the historical trend covers the risk from customers default of payment. The book value of premiums receivable for which the collection period is more than 90 days constitutes a default risk.

The bad debt expenses for the period is $17 ($83 in 2021) and is recordered in operating charges.

17 DEFERRED CHARGES

	2022		2021	
Balance on January 1st	**1 365**	**$**	1 299	$
Amortization	**(1 365)**		(1 299)	
Deferred charges for the year	**1 508**		1 365	
BALANCE	**1 508**	**$**	1 365	$

18 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 25.

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

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in thousands of Canadian dollars, except as otherwise noted

18 RIGHT-OF-USE ASSETS (CONTINUED)

	2021				
Cost	Balance on January 1st	Addition	Disposal	Contract amendments	Balance on December 31st
Building	1 770 $	$	$	$	1 770 $
Furniture-equipment		20			20
Total cost	1 770 $	20 $	$	$	1 790 $
		Depreciation	Disposal		
Accumulated depreciation					
Building	319 $	158 $	$	$	477 $
Furniture-equipment		8			8
Total accumulated depreciation	319 $	166 $	$	$	485 $
Net book value					
Building	1 451 $				1 293 $
Furniture-equipment					12
Net book value	1 451 $				1 305 $

19 TANGIBLE CAPITAL ASSETS

	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				
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

For the year ended December 31, 2022
in thousands of Canadian dollars, except as otherwise noted

19 TANGIBLE CAPITAL ASSETS (CONTINUED)

	2021							
Cost	Balance on January 1st		Acqui-sition		Disposal		Balance on December 31st	
Land and building	2 771	$		$		$	2 771	$
Leasehold improvements	993						993	
Furniture-equipment	1 059		43				1 102	
Automobile	163		100		51		212	
Total cost	4 986	$	143	$	51	$	5 078	$
			Depreciation		Disposal			
Accumulated depreciation								
Building	792	$	75	$		$	867	$
Leasehold improvements	378		111				489	
Furniture-equipment	726		81				807	
Automobile	128		13		43		98	
Total accumulated depreciation	2 024	$	280	$	43	$	2 261	$
Net book value								
Land and building	1 979	$					1 904	$
Leasehold improvements	615						504	
Furniture-equipment	333						295	
Automobile	35						114	
Net book value	2 962	$					2 817	$

20 INTANGIBLE ASSETS

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

	2021							
Cost	Balance on January 1st		Acqui-sition		Disposal		Balance on December 31st	
Clientele	11 829	$		$		$	11 829	$
			Depreciation		Disposal			
Accumulated depreciation								
Clientele	4 726	$	2 366	$		$	7 092	$
Net book value	7 103	$					4 737	$

in thousands of Canadian dollars, except as otherwise noted

21 PROVISION FOR CLAIMS BEING SETTLED

The provision for claims being settled as well as the reinsurer's share in this regard are estimates that can undergo significant changes during the year. These variations are due to events affecting the ultimate settlement of claims that have not yet occurred and that may not even happen for some time. These variations can also be caused by additional information regarding claims, by changes in the interpretation of the contracts by the courts or by significant deviations from historical trends in terms of severity or frequency of claims. The estimates are based primarily on the experience of the Company. The estimation methods used produce, in the opinion of the Company, reasonable results given the data currently known.

These estimates are then discounted to reflect the time value of the money. The interest rate used to discount the provision is based on the return expected by the Company on its investment portfolio in matching with its provision and taking into account the duration of each of its matched assets.

The discounted amount of the provision for claims being settled shows the assumptions relating to future investment income, to expected cash flow and to the provisioning for the deterioration of the income statements. Since the estimates related to provisions for claims are subject to uncertainty related to the measure, the Company includes provisions for adverse deviations in its valuation assumptions. The inclusion of provisions for adverse deviations is consistent with standards of practice of the Canadian Institute of Actuaries. They ensure that the amounts of the actuarial liability are sufficient to cover future benefits.

The provision for claims being settled is composed of :	Gross provision	Reinsurer's share	Net provision
Provision for claims incurred but not reported as at December 31, 2022			
Provision	**3 307 $**	**171 $**	**3 136 $**
Effect of discounting at a rate of 4.29%	**(671)**	**(97)**	**(574)**
Provision for adverse deviations	**1 096**	**248**	**848**
Total of the provision for claims incurred but not reported	**3 732**	**322**	**3 410**
Provision for reported claims as at December 31, 2022	**10 492**	**3 119**	**7 373**
Provision as at December 31, 2022	**14 224 $**	**3 441 $**	**10 783 $**
Provision for claims incurred but not reported as at December 31, 2021			
Provision	2 259 $	288 $	1 971 $
Effect of discounting at a rate of 1.43%	(193)	(40)	(153)
Provision for adverse deviations	874	211	663
Total of the provision for claims incurred but not reported	2 940	459	2 481
Provision for reported claims as at December 31, 2021	9 034	3 472	5 562
Provision as at December 31, 2021	11 974 $	3 931 $	8 043 $

The change in the provision for claims being settled is the following :	Gross provision	Reinsurer's share	Net provision
Provision as at January 1, 2021	15 706 $	5 606 $	10 100 $
Claims and settlement expenses for the year 2021	24 604	5 803	18 801
Variation of the provision for the years prior to 2021	(13)	881	(894)
Effect of discounting in 2021	(113)	(19)	(94)
Total claims incurred for the year ended December 31, 2021	24 478	6 665	17 813
Claims paid during 2021	(28 210)	(8 340)	(19 870)
Provision as at December 31, 2021	11 974 $	3 931 $	8 043 $
Claims and settlement expenses for the year 2022	**36 540**	**10 897**	**25 643**
Variation of the provision for the years prior to 2022	**(334)**	**199**	**(533)**
Effect of discounting in 2022	**(478)**	**(57)**	**(421)**
Total claims incurred for the year ended December 31, 2022	**35 728**	**11 039**	**24 689**
Claims paid during the 2022	**(33 478)**	**(11 529)**	**(21 949)**
Provision as at December 31, 2022	**14 224 $**	**3 441 $**	**10 783 $**

in thousands of Canadian dollars, except as otherwise noted

21 PROVISION FOR CLAIMS BEING SETTLED (CONTINUED)

The method to determine the provision for claims being settled is the same as the one used during the previous year.

The following table shows the changes in the provisions for claims being settled by year of occurence of loss. This evaluation is based on the settlement of the initial provision, net of the allocation of a portion of the income generated by the investments matching the provision.

	Change in the gross provision – by year of occurrence									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gross initial provision	6 904	7 289	7 483	5 496	6 776	4 077	2 955	3 258	2 695	2 701
Change in the provision :										
After 1 year	6 304	7 083	7 353	5 908	6 480	4 154	3 051	3 034	3 462	2 466
After 2 years		6 725	7 166	6 137	6 457	4 502	3 123	2 894	3 285	2 317
After 3 years			7 309	6 693	6 415	4 562	2 956	2 985	3 262	2 238
After 4 years				7 344	6 649	4 523	3 098	2 855	3 375	2 231
After 5 years					6 382	4 788	3 767	2 822	3 607	2 230
After 6 years						4 800	3 644	2 831	4 066	2 230
After 7 years							3 586	2 811	4 399	2 230
After 8 years								2 814	3 920	2 228
After 9 years									3 878	2 226
After 10 years										2 226
Cumulative change of the gross initial provision in %	9%	8%	2%	-34%	6%	-18%	-21%	14%	-44%	18%

The average change in the gross initial provision over the past ten years is a decrease of 6%.

	Change in the net provision – by year of occurrence									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net initial provision	4 068	5 740	5 423	2 688	3 116	3 096	2 525	2 439	2 344	2 116
Change in the provision :										
After 1 year	3 977	4 884	4 966	2 649	3 076	2 969	2 599	2 357	2 654	1 967
After 2 years		4 550	4 717	2 889	3 126	3 224	2 651	2 268	2 497	1 829
After 3 years			4 857	3 194	3 079	2 991	2 509	2 327	2 396	1 758
After 4 years				3 088	3 220	2 985	2 545	2 299	2 411	1 752
After 5 years					3 027	2 929	2 539	2 252	2 423	1 750
After 6 years						2 930	2 415	2 260	2 452	1 750
After 7 years							2 377	2 236	2 434	1 750
After 8 years								2 239	2 394	1 748
After 9 years									2 393	1 747
After 10 years										1 746
Cumulative change of the gross initial provision in %	2%	21%	10%	-15%	3%	5%	6%	8%	-2%	17%

The average change in the net initial provision over the past ten years is a increase of 6%.

in thousands of Canadian dollars, except as otherwise noted

21 PROVISION FOR CLAIMS BEING SETTLED (CONTINUED)

Sensitivity to the development of provisions

The estimate of the provision for claims being settled is based on different assumptions. The discount rate and the realization of the provision for claims being settled are two significant variables of the valuation.

The Company estimates that a 1% decrease in the discount rate of the provision for claims being settled would reduce the earnings by $139 ($117 in 2021). A 1% increase in the discounting rate of the provision for claims being settled would increase the earnings by $134 ($112 in 2021).

The Company estimates that a 5% increase in the realization of the provision for claims being settled would decrease the earnings by $452 ($414 in 2021). A 5% decrease in the realization of the claims being settled would increase the earnings by $485 ($441 in 2021).

The schedule set out in the settlement of the provision for the claims being settled is established as follows :

	December 31, 2022					
	Less than one year	**One to three years**	**Three to five years**	**Five to ten years**	**More than ten years**	**Balance sheet value**
Provision liability						
Property policies	**4 577 $**	**462 $**	**$**	**$**	**$**	**5 039 $**
Liability policies	**761**	**980**	**518**	**526**		**2 785**
Automobile	**4 341**	**1 011**	**1 028**	**20**		**6 400**
Total	**9 679 $**	**2 453 $**	**1 546 $**	**546 $**	**$**	**14 224 $**
Reinsurer's share in the provision presented as asset						
Property policies	**1 876 $**	**203 $**	**$**	**$**	**$**	**2 079 $**
Liability policies	**86**	**67**	**25**	**41**		**219**
Automobile	**1 099**	**39**	**5**			**1 143**
Total	**3 061 $**	**309 $**	**30 $**	**41 $**	**$**	**3 441 $**

	December 31, 2021					
	Less than one year	One to three years	Three to five years	Five to ten years	More than ten years	Balance sheet value
Provision liability						
Property policies	4 382 $	553 $	$	1 $	$	4 936 $
Liability policies	962	1 072	609	359		3 002
Automobile	2 250	1 218	563	5		4 036
Total	7 594 $	2 843 $	1 172 $	365 $	$	11 974 $
Reinsurer's share in the provision presented as asset						
Property policies	2 654 $	369 $	$	$	$	3 023 $
Liability policies	190	129	57	61		437
Automobile	361	99	11			471
Total	3 205 $	597 $	68 $	61 $	$	3 931 $

22 UNEARNED PREMIUMS

The reconciliation of the provision for unearned premiums is as follows :	Unearned premiums Gross	Reinsurer's share	Net
Balance as at January 1, 2021	26 857 $	4 044 $	22 813 $
Premiums written	53 381	11 810	41 571
Premiums earned during the year	(53 179)	(11 137)	(42 042)
Unearned premiums as at December 31, 2021	27 059 $	4 717 $	22 342 $
Premiums written	**55 683 $**	**13 405 $**	**42 278 $**
Premiums earned during the year	**(54 169)**	**(12 242)**	**(41 927)**
Unearned premiums as at December 31, 2022	**28 573 $**	**5 880 $**	**22 693 $**

in thousands of Canadian dollars, except as otherwise noted

23 UNEARNED REINSURANCE COMMISSIONS

	2022		2021	
Balance as at January 1st	**1 651**	**$**	1 415	$
Amortization for the period	**(1 651)**		(1 415)	
Unearned reinsurance commissions for the period	**2 057**		1 651	
Balance	**2 057**	**$**	1 651	$

24 ACCRUED EXPENSES AND OTHER SUPPLIERS

	2022		2021	
Members	**27**	**$**	84	$
Accrued salaries and other short-term benefits	**655**		740	
Acquisition of tangible capital assets			14	
Sale taxes	**1 972**		1 861	
Representation termination fund	**307**		461	
Other	**204**		81	
	3 165	**$**	3 241	$

25 LEASE OBLIGATIONS

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

	2022		2021	
Current amount due within one year	**233**	**$**	228	$
Non-current amount				
One year to three years	**471**	**$**	457	$
Four to five years	**324**		438	
Six to ten years	**585**		572	
More than ten years	**250**		371	

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

The following table shows the amounts recorded in transaction costs 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.

	2022		2021	
Lease expenses				
Short-term leases	**9**	**$**	10	$
Leases where the underlying asset has a low value	**2**		6	
Variable lease payments	**39**		42	
	50	$	58	$

Total cash outflows from leases for the year ended December 31, 2022, were $280 ($283 in 2021).

26 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 December 31, 2022, the Company has no partnership shares issued (none in 2021).

Notes to Financial Statements

For the year ended December 31, 2022
in thousands of Canadian dollars, except as otherwise noted

27 PREFERRED SHARES

Authorized

Unlimited number of Category "A" preferred shares, non-voting, redeemable at the issuer's option, except for Promutuel Guarantee Fund which has a redemption right in accordance with the Insurers Act, annual interest of priority ranks and cumulative at the Quebec's bonds maximum rate of 10-years, increased by 3 %, of a nominal value of $ 100 each.

Category "A", priority to partnership shares

	2022	2021
Issued		
No preferred shares of category "A" (7 500 shares in 2021), 2.46% interest	**$**	750 $
No preferred shares of category "A" (4 750 shares in 2021), 2.46% interest		475
	$	1 225 $

28 ACCUMULATED OTHER COMPREHENSIVE INCOME

	2022	2021
Assets available for sale		
Unrealized gains	**113 $**	2 164 $
Unrealized losses	**(528)**	
	(415)	2 164
Income taxes on unrealized gains (losses)	**110**	(574)
	(305)	1 590
Actuarial gains (losses) on pension plans	**2 238**	(1 959)
Related income taxes	**(589)**	523
	1 649	(1 436)
Accumulated other comprehensive income	**1 344 $**	154 $

29 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 % (200 % en 2021).

As at December 31, 2022, the Company’s MCT meets the regulatory requirements and is composed of the following amounts :

	2022	2021
Available capital	**30 362 $**	27 329 $
Required capital	**7 600**	5 972
Excess of the available capital over the required capital	**22 762**	21 357
Excess capital of the Company’s target	**15 922 $**	15 385 $
Ratio of available capital over the required capital (MCT)	**400 %**	458 %

30 COMMITMENTS AND CONTINGENCIES

A) Commitments

See Note 25 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$73 as of December 31, 2022 (US$47 as of December 31, 2021). 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.

in thousands of Canadian dollars, except as otherwise noted

30 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

31 IMPACT OF THE REINSURANCE PROGRAMS ON THE INCOME STATEMENT

REINSURANCE PROGRAM

In the normal course of business, the Company reinsures certain risks with its reinsurer in order to limit its responsibility in case of a claim or of a series of claims arising from the same event. The impact of the reinsurance disposal on the Company's comprehensive income is the following :

	2022		2021	
Ceded premiums to reinsurer	**(12 242)**	**$**	(11 137)	$
Recovery of claims from reinsurer	**11 039**		6 665	
Reinsurance commissions	**3 947**		2 847	
	2 744		(1 625)	
Dividend from reinsurer	**1 002**		341	
Increase (decrease) of earnings before income tax	**3 746**	**$**	(1 284)	$

32 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.

Key customers

The Company's products come from many policyholders. No holder generates more than 10% of the total income.

Premiums written by line of business are as follows :

	2022		2021	
Direct premiums written				
Automobile	**23 954**	**$**	24 018	$
Property and liability	**31 729**		29 363	
Total of premiums written	**55 683**	**$**	53 381	$

The net premiums earned by line of business are as follows :

	2022		2021	
Net direct premiums earned				
Automobile	**22 912**	**$**	22 866	$
Property and liability	**19 015**		19 176	
Total of net premiums earned	**41 927**	**$**	42 042	$

33 SENSIVITY TO INSURANCE RISKS BY LINE OF BUSINESS

	2022			2021		
Gross ratios	**Gross loss ratio**	**Gross expense ratio**	**Gross combined ratio**	Gross loss ratio	Gross expense ratio	Gross combined ratio
Direct premiums						
Automobile	**71 %**	**-**	**-**	47 %	-	-
Property and liability	**62 %**	**-**	**-**	46 %	-	-
Total	**66 %**	**33 %**	**99 %**	46 %	33 %	79 %

in thousands of Canadian dollars, except as otherwise noted

33 SENSIVITY TO INSURANCE RISKS BY LINE OF BUSINESS (CONTINUED)

	2022			2021		
Net ratios	**Net loss ratio**	**Net expense ratio**	**Net combined ratio**	Net loss ratio	Net expense ratio	Net combined ratio
Direct premiums						
Automobile	**69 %**	**-**	**-**	46 %	-	-
Property and liability	**47 %**	**-**	**-**	39 %	-	-
Total	**59 %**	**33 %**	**92 %**	42 %	35 %	77 %

As at December 31, 2022, the Company estimates that a change in the net loss ratio or in the net expense ratio would have the following impact on the earnings :

	For the year ended December 31, 2022		
	Decrease of the earnings		
	Before	**Income**	**Net**
5% increase on the net loss ratio on the direct premiums			
Automobile	**1 146 $**	**304 $**	**842 $**
Property and liability	**950**	**251**	**699**
Total	**2 096 $**	**555 $**	**1 541 $**
1% increase of the total net expense ratio	**419 $**	**111 $**	**308 $**

	For the year ended December 31, 2021		
	Decrease of the earnings		
	Before	Income	Net
5% increase on the net loss ratio on the direct premiums			
Automobile	1 143 $	303 $	840 $
Property and liability	959	254	705
Total	2 102 $	557 $	1 545 $
1% increase of the total net expense ratio	420 $	111 $	309 $

A decrease of the same percentage would have the opposite impact on the net earnings of the Company.

34 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.

in thousands of Canadian dollars, except as otherwise noted

34 RISK MANAGEMENT (CONTINUED)

1) Financial risks

The most significant risks that the Company must manage with respect to financial instruments 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.

Moreover, the interest rate fluctuations modify the estimate of the value of the provision for claims being settled. This estimate is made according to the expected return on assets held for matching purposes.

As at December 31, 2022, the Company estimates that a 1% change, with all other variables held constant, would have the following impact on the Company's comprehensive income :

	2022	2021
1% increase of the interest rate		
Net income	**240 $**	215 $
Other comprehensive income	**(848)**	(963)
Members' equity	**(608) $**	(748) $

A decrease of the same percentage would have the opposite effect on the Company's comprehensive income.

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 $360 ($153 in 2021) in assets invested in foreign currencies. As at December 31, 2022, 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 $26 ($11 in 2021) 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 December 31, 2022, the Company estimates that a 10% increase in share price, with all other variables held constant, would increase comprehensive income and members' equity by $922 ($407 in 2021). 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.

in thousands of Canadian dollars, except as otherwise noted

34 RISK MANAGEMENT (CONTINUED)

The maturity of the Company's financial liabilities, claims liabilities and sales taxes is as follows :

	Maturities as 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	
Provisions for												
Claims being settled	**9 679**	$	**2 453**	$	**1 546**	$	**546**	$		$	**14 224**	$
Unearned premiums	**28 573**										**28 573**	
Unearned reinsurance commissions	**2 057**										**2 057**	
Creditors	**4 836**										**4 836**	
TOTAL	**45 145**	$	**2 453**	$	**1 546**	$	**546**	$		$	**49 690**	$

	Maturities as at December 31, 2021											
	Less than one year		One to three years		Three to five years		Five to ten years		Over ten years		Balance sheet value	
Provisions for												
Claims being settled	7 594	$	2 843	$	1 172	$	365	$		$	11 974	$
Unearned premiums	27 059										27 059	
Unearned reinsurance commissions	1 651										1 651	
Creditors	4 700										4 700	
TOTAL	41 004	$	2 843	$	1 172	$	365	$		$	45 384	$

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 book value of the financial assets less any allowance for losses. Consequently, the book value on the balance sheet for financial instruments represents the maximum credit exposure of the Company.

As at December 31, 2022, 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 :	**2022**		2021	
Credit rating				
AAA	**382**	$	16	$
AA	**21 106**		30 484	
A	**3 684**		3 649	
BBB	**1 797**		586	
R-1	**60**		167	
Not rated	**1 430**		1 310	
Total	**28 459**	$	36 212	$

Shares and Preferred shares by credit quality :				
Credit rating				
P1	**18**	$	7	$
P2	**1 991**		2 113	
P3	**1 629**		1 656	
P4	**15**			
Other	**744**			
Total	**4 397**	$	3 776	$

in thousands of Canadian dollars, except as otherwise noted

34 RISK MANAGEMENT (CONTINUED)

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 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.

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 $325 ($240 in 2021) per event. In addition, all member mutual associations of Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale are collectively covered for up to $ 480,000 ($ 340,000 in 2021) 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 the reserves will be insufficient to cover claims in the process of settlement. The risk with respect to the reserves 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.

35 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

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets on the balance sheet estimated at the fair value :				
Cash and cash equivalents	**3 049 $**	**$**	**$**	**3 049 $**
Investments available for sale		**40 880**	**1 228**	**42 108**
	3 049 $	**40 880 $**	**1 228 $**	**45 157 $**

in thousands of Canadian dollars, except as otherwise noted

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2021							
	Level 1		Level 2		Level 3		Total	
Financial assets on the balance sheet estimated at the fair value :								
Cash and cash equivalents	2 108	$		$		$	2 108	$
Investments available for sale			41 576		461		42 037	
	2 108	$	41 576	$	461	$	44 145	$

Assets estimated at fair value according to Level 3 :	**2022**		2021	
Balance at beginning of year	**461**	**$**	398	$
Total of gains or losses recognized :				
Other comprehensive income	**7**			
Acquisitions	**760**		63	
Balance as at December 31	**1 228**	**$**	461	$

There were no transfers between Levels 1, 2 and 3 for the years ended December 31, 2022 and 2021.

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, premiums receivable, 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.

<u>Sensitivity of financial instruments classified as Level 3 :</u>
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.

36 RELATED PARTIES TRANSACTIONS

The Company is a member of Groupe Promutuel Fédération de sociétés mutuelles d’assurance générale. It participates in the capital of Promutuel Réassurance as well as in the Groupe Promutuel Fédération Guarantee Fund. The Company holds shares in limited partnerships for the purpose of managing the investment portfolio.

The reinsurance operations are concluded with Promutuel Réassurance (Note 31). 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 10.

Others transactions between related parties, concluded in the normal course of business, are as follows :

Institutions of the Groupe Promutuel Fédération de sociétés mutuelles d'assurance générale

	2022		2021	
Indemnities and inherent fees	**560**	**$**	560	$
Operating expenses	**6 985**		6 154	
Investment charges	**4**		7	
Investment income	**(109)**		708	

in thousands of Canadian dollars, except as otherwise noted

36 RELATED PARTIES TRANSACTIONS (CONTINUED)

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, 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**	**$**	**1 074**	**$**

As at December 31, 2021	Board of directors		Managerial staff		Total	
Short-term benefits	149	$	767	$	916	$
Post-employment benefits			123		123	
Total compensation as at December 31, 2021	149	$	890	$	1 039	$

Glossary of Financial Terms

Certain terms found in this financial report are used with the meaning defined below, which is either specific to the Canadian insurance market or to Groupe Promutuel.

CEDE A reinsurance term used to describe the purchase of insurance by a primary insurer from a reinsurer, which then undertakes to cover part or all of a risk insured by the primary insurer.

CESSION TO THE REINSURER For every premium written, an amount is paid to the reinsurer according to the reinsurance treaty in force.

COST OF LOSSES

i) **Indemnities and inherent fees (gross)** Total amount of claims incurred under an insurance policy further to a loss related to a covered event, including settlement costs, such as expert fees, internal expenses and legal fees.

ii) **Recovery from the reinsurer** In accordance with the reinsurance treaty in force, the total amounts recovered from the reinsurer with regard to claims settlement.

FAIR VALUE MEASUREMENT A measurement used to determine the values at which financial instruments could be traded in a current transaction between willing parties.

OPERATIONAL CHARGES Include operating expenses (primarily administration costs) and acquisition costs (sales costs).

PREFERRED SHARES Components of the company's equity, issued in accordance with the rule.

GROSS PREMIUMS EARNED In property and casualty insurance, the premiums earned on a time proportion basis without taking reinsurance into account.

NET PREMIUMS EARNED In property and casualty insurance, the premiums earned on a time proportion basis after deduction of reinsurance premiums.

UNEARNED PREMIUMS In property and casualty insurance, unearned premiums represent the proportion of premiums written in relation to the coverage period remaining at year-end. This is a liability for the company since, if the policy is cancelled, the unearned premium is repayable to the insured.

WRITTEN PREMIUMS In damage insurance, premiums stipulated in the insurance policies signed during the year, including transactions made with insurer groups plus the accepted reinsurance.

REINSURER An insurer that undertakes to cover all or part of a risk initially covered by the primary insurer.

RETURN ON EQUITY Net income expressed as a percentage of the average equity from the beginning to the end of the year.

INSURANCE RESULT Income from insurance operations for the current period. Also referred to as "technical result". Represents premiums (-) expenses for claims incurred (-) costs (operations, premium tax and reinsurance commission income).

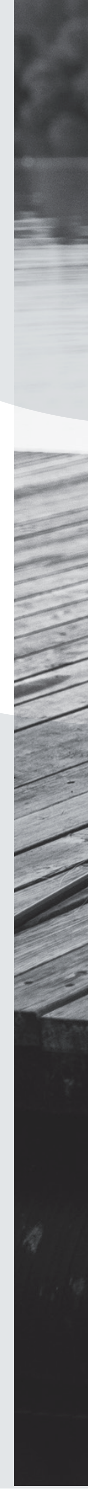
REINSURANCE COMMISSION INCOME Amounts received from the reinsurer under the reinsurance treaty in effect as compensation for the premiums ceded by the mutual association.

UNSETTLED CLAIMS An amount accounted for under liabilities in order to cover the ultimate estimated cost of settling claims, including claims incurred but not reported resulting from events occurring before the end of the period, after deduction of the amounts paid out for such claims.

PREMIUM TAX This mandatory provincial tax is calculated based on written premiums for the period.

MINIMUM CAPITAL TEST (MCT) Minimum capital standards for property and casualty insurance companies to comply with, determined according to Autorité des marchés financiers (AMF) guidelines.

REINSURANCE TREATY An agreement under which an insurer purchases its own insurance from another insurer to cover all or part of the risk it insures. Notwithstanding any such agreement, the insurer remains fully responsible for its commitments to its policyholders.



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