ANNUAL REPORT 2023

Partners in Risk Management

OSBIE

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front cover, upper left: Grade 10 student Shayla Shawongonabe, of Greater Sudbury, Ontario, holding her work, Miijim, inspired by the art of Daphne Odjig.

Welcome

Jeff Pratt

CEO

Amy Janssens

Chair

Dear OSBIE Members and Stakeholders,

As we settle into the new year, we look back at 2023 and reflect on how OSBIE demonstrated resilience, adaptability, and an unwavering commitment to our members. We look ahead to new, dynamic initiatives that will modernize OSBIE and allow us to serve you even better.

OSBIE's resilience was tested as we navigated the complexities of hard financial markets affected by ongoing geopolitical events, and environmental uncertainties such as wildfires and floods. Compounded with the residue of the pandemic, it underscored the importance of our role in providing stability and protection for our members.

Our financial performance in 2023 was a testament to the prudent management of resources and the dedication of our team. Despite the unpredictable market conditions and claims activity that led to a net loss of $131,689, we maintained a robust financial position, ensuring the long-term sustainability of our reciprocal. Our solid investment strategy resulted in an investment income yield of 3.1%, exceeding our target of 2.4%. This allowed for a refund of over $5M to be issued to our members, resulting in money staying in the education sector to be redeployed at the school boards' discretion, where it belongs. Along with wise management of our reinsurance portfolio and our low administrative expense ratio (14.7% in 2023), OSBIE remains committed to using all available strategies to be fiscally strong and pass that stability onto our members.

Member well-being is our passion. Throughout 2023, we continued to provide comprehensive coverage and support to ease the weight of unforeseen challenges. Our adaptability was proven as we hosted 147 events in a variety of formats and locations for the convenience of our members. OSBIE secured accreditation from Cybersecure Canada – a judicious move to confidently champion cyber coverage with members.

Our commitment to personalized service and member-centric solutions has not wavered. We are proud to have made a positive impact on the organizations of those we serve whether it is through our stellar proactive risk management, or the comprehensive care given through our claims resolution.

Our steadfast commitment to members shone through with the birth of our new multi-year "Partners in Risk Management" Strategic Plan. This innovative and leading-edge approach will launch OSBIE into a new level of professionalism and service. We pledge to strengthen customer engagement by making our technology more user-friendly, build organizational excellence and agility, and search out and deliver relevant products such as our InSITE and Cyber Security programs, while enhancing our corporate risk management.

OSBIE's unique non-profit status underscores our purpose: Supporting student well-being and achievement and contributing to the long-term health, safety, and stability of our member organizations. It is a statement that drives all we do.

Thank you to our members, who entrust us with their insurance needs – you are our true partners in risk management. We extend our gratitude to our Board of Directors and staff for their professionalism and energy. Together, we have built a foundation of strength, perseverance, and community impact. This will allow OSBIE to continue to be a beacon of stability and support for all those we serve.

Sincerely,
Jeff Pratt, Chief Executive Officer, OSBIE

Amy Janssens, Chair of the Board, OSBIE

What Our Members Are Saying...

"When we had a cyber breach, OSBIE was our first call. They quickly secured legal counsel for us and then OSBIE's elite provider of cyber security – Kroll – stepped in. They isolated the threat and assisted in restoring services. The expert response took the pressure away from a very loaded and difficult situation."

Huron-Superior Catholic DISTRICT SCHOOL BOARD

Justin Pino, Superintendent of Business, Huron-Superior Catholic District School Board

"YRDSB was a purchaser of commercial insurance until 2019. At that time, the global market continued to tighten resulting in increased costs, along with coverage and service level reductions. Our analysis showed it was beneficial to move to OSBIE which is a decision we are very happy with to this day."

York Region DISTRICT SCHOOL BOARD

Jeff Fair, Comptroller,
Corporate and Legal Affairs
York Region District School Board

"We experienced an $8M property loss at a remote northern high school. OSBIE sent in major loss experts to handle the investigation. When an on-site meeting was scheduled and the road was closed, they chartered a helicopter to get to the remote site. That spoke volumes as to the importance of our claim. Working with OSBIE is a true partnership."

Keewatin Patricia DISTRICT SCHOOL BOARD

Richard Findlay, CPA, CGA,
Superintendent of Business, KPDSB

About Us

Purpose

OSBIE supports student well-being and achievement, contributing to the long-term health, safety and stability of our member organizations.

Vision

OSBIE's vision is to be the most trusted, non-profit insurance provider of choice in the education sector.

Mission

OSBIE delivers accessible and customized insurance solutions at competitive and stable rates. Our highly skilled team is dedicated to delivering exceptional customer service, fostering excellence in risk management through innovative advisory services. We harness leading-edge technology to provide an unmatched member experience.

OSBIE

2023 Board of Directors

CENTRAL

Matthew Gerard

COR

Susan Domenichini

Jaspal Gill

EASTERN

Craig Young

Luc Poulin

MID-NORTH

Maryse Barrette

Mark Connors

NORTHEAST

Seija Van Haesendonck

Grace Barnhardt

NORTHWEST

Kirsti Alaksa

Peter Marshall

WESTERN

Amy Janssens

2023 HIGHLIGHTS

$5M

Refunded to Members

InSITE

OSBIE launches new loss control program

147

Education events hosted across Ontario

Cybersecure Canada Accreditation

97.6%

Member satisfaction level

OSBIE marks the National Day for Truth and Reconciliation in 2023.

97%

of Ontario School Boards are Members

OSBIE

Independent Auditor's Report

To the Subscribers of Ontario School Boards' Insurance Exchange

OPINION

We have audited the financial statements of Ontario School Boards' Insurance Exchange (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of comprehensive income for the year then ended
- and statement of changes in guarantee fund for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

EMPHASIS OF MATTER – CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE INFORMATION

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

We also draw attention to Note 1 to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 17:

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

Note 1 explain the reason for the adjustments.

Our opinion is not modified in respect of these matters.

OTHER MATTER – CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE INFORMATION

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

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

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

OTHER INFORMATION

Management is responsible for the other information. Other information comprises information, other than the financial statements and the auditors' report thereon, included in the Annual Report.
Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditors' report thereon, included in Annual Report at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada
February 29, 2024

JSCP
ACTUARIES *Who Care*™
J. S. CHENG & PARTNERS INC.

APPOINTED ACTUARY'S REPORT

To the Subscribers of the Ontario School Boards' Insurance Exchange:

I have valued the policy liabilities of the Ontario School Boards' Insurance Exchange for its financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2023.

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

Toronto, Ontario
February 21, 2024

Raul G. Martin
Fellow, Canadian Institute of Actuaries

ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE

Statement of Financial Position

December 31, 2023, with comparative information for December 31, 2022 and January 1, 2022

	Dec 31, 2023	Dec 31, 2022 *(restated)*	Jan 1, 2022 *(restated)*
Assets			
Cash and cash equivalents	$ 34,677,601	$ 29,366,639	$ 19,518,211
Investments (note 4)	216,414,867	217,852,337	243,779,902
Accrued investment income	785,677	806,642	753,887
Accounts receivable	33,911	43,929	82,326
Reinsurance contract assets (note 7)	3,704,994	3,033,989	2,679,049
Prepaid expenses	75,958	163,466	–
Loan receivable	401,988	422,715	446,965
Property and equipment (note 5)	716,471	700,832	787,394
	$ 256,811,467	$ 252,390,549	$ 268,047,734
Liabilities and Guarantee Fund			
Liabilities:			
Accounts payable and accrued liabilities	$ 844,752	$ 1,189,983	$ 1,676,639
Premiums received in advance	29,783,106	28,747,249	28,287,399
Sales tax payable	1,119,067	1,616,579	1,750,646
Insurance contract liabilities (note 7)	114,529,485	105,027,768	91,514,357
Premiums in trust	597	137,822	15,319
	146,277,007	136,719,401	123,244,360
Guarantee Fund: (note 12)			
Reserves required by the Financial Services Regulatory Authority of Ontario	50,000	50,000	50,000
Additional guarantee funds	110,484,460	131,312,786	133,293,195
Accumulated other comprehensive income	–	(15,691,638)	11,460,179
	110,534,460	115,671,148	144,803,374
	$ 256,811,467	$ 252,390,549	$ 268,047,734

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Chair

Vice-Chair

ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE

Statement of Comprehensive Income
Year ended December 31, 2023, with comparative information for 2022

	2023	2022 *(restated)*
Insurance revenue	$ 38,419,726	$ 36,006,170
Insurance service expenses (note 8)	(43,315,000)	(44,079,812)
Insurance service result before reinsurance contracts held	(4,895,274)	(8,073,642)
Reinsurance premiums	(2,462,485)	(2,165,494)
Amounts recoverable from reinsurers	880,494	1,155,470
Net expense from reinsurance contracts	(1,581,991)	(1,010,024)
Insurance service result	(6,477,265)	(9,083,666)
Net investment income	7,408,725	15,390,885
Net gains on portfolio investments	8,238,238	–
Net investment return	15,646,963	15,390,885
Finance income (expense) from insurance contracts issued	(5,452,002)	3,364,000
Finance income (expense) from reinsurance contracts held	(76,000)	(19,000)
Net insurance financial result	10,118,961	18,735,885
Other income and expense	(3,773,384)	(3,596,628)
Net income (loss)	(131,688)	6,055,591
Other comprehensive income		
Unrealized losses on available-for-sale assets	–	(23,351,760)
Recognition of realized losses on available-for-sale assets	–	(3,800,057)
Other comprehensive loss	–	(27,151,817)
Total comprehensive loss	$ (131,688)	$ (21,096,226)

See accompanying notes to financial statements.

ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE

Statement of Changes in Guarantee Fund

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

	Reserve required by FSRA	Additional guarantee funds	AOCI	Total
Balance, December 31, 2021, as previously reported	$ 50,000	$ 130,153,647	$ 11,460,179	$ 141,663,826
Impact of initial application of IFRS 17	–	3,139,548	-	3,139,548
Restated balance, January 1, 2022	50,000	133,293,195	11,460,179	144,803,374
Net income	–	6,055,591	–	6,055,591
Other comprehensive income:				
Net change in fair value of available-for-sale financial assets	–	–	(27,151,817)	(27,151,817)
Total other comprehensive loss	–	–	(27,151,817)	(27,151,817)
Total comprehensive income	–	6,055,591	(27,151,817)	(21,096,226)
Refunds to subscribers (note 12)	–	(8,036,000)	–	(8,036,000)
Restated balance, December 31, 2022	50,000	131,312,786	(15,691,638)	115,671,148
Impact of initial application of IFRS 9	–	(15,691,638)	15,691,638	–
Restated balance, January 1, 2023	50,000	115,621,148	–	115,671,148
Net income	–	(131,688)	–	(131,688)
Refunds to subscribers (note 12)	–	(5,005,000)	–	(5,005,000)
Balance, December 31, 2023	$ 50,000	$ 110,484,460	$ –	$ 110,534,460

See accompanying notes to financial statements.

ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE

Statement of Cash Flows

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

	2023	2022 *(restated)*
Cash provided by (used in):		
Operations:		
Net income (loss)	$ (131,688)	$ 6,055,591
Items not involving cash:		
Accrued investment income	20,965	(52,755)
Loss (gain) on investments	(7,142,115)	(3,934,897)
Unrealized foreign exchange (gain) loss	90,944	(92,401)
Amortization of property and equipment	144,454	153,940
Loss on disposal of property and equipment	1,215	14,895
Bond amortization	282,363	12,153
Change in non-cash operating items	(913,720)	(612,186)
Change in insurance and reinsurance contracts	8,882,717	13,171,620
Premiums received in advance	1,035,857	459,850
	2,270,992	15,175,810
Financing:		
Refund to subscribers	(5,005,000)	(8,036,000)
Investments:		
Bonds purchased	(27,325,652)	(32,006,592)
Equities purchased	(4,631,888)	(12,495,997)
Proceeds from investment disposals:		
Bonds	26,384,999	12,886,351
Equities	13,778,819	34,407,129
Additions to property and equipment	(161,308)	(82,273)
	8,044,970	2,708,618
Increase in cash and cash equivalents	5,310,962	9,848,428
Cash and cash equivalents, beginning of year	29,366,639	19,518,211
Cash and cash equivalents, end of year	$ 34,677,601	$ 29,366,639

See accompanying notes to financial statements.

Ontario School Boards' Insurance Exchange (the "Exchange") was formed under the Reciprocal Insurance Exchange Agreement for School Boards in the Province of Ontario (the "Agreement") dated August 15, 1986 and amended on January 1, 2002, and January 1, 2017 among various school boards subscribing to the Agreement. The Exchange is licensed by the Financial Services Regulatory Authority of Ontario ("FSRA") to provide aircraft, non-owned automobile, owned automobile, fidelity, legal expense, liability, marine, property and boiler and machinery insurance to its subscribers in accordance with Part XIII of the Insurance Act, Ontario, R.S.O. 1990. The Exchange's registered office is located at 91 Westmount Road, Guelph, Ontario, Canada. The Exchange commenced operations on January 1, 1987 and has 79 (2022 – 79) subscribers. Subscriptions to the Exchange come up for renewal at the end of a five-year subscription period. The next date for the renewal of policies is January 1, 2026.

1. BASIS OF PRESENTATION:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Board of Directors on February 21, 2024.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis, except for investments which are measured at fair value and insurance contract assets and liabilities which are measured using acceptable actuarial practices.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Exchange's functional currency. All financial information presented in Canadian dollars.

(d) Use of estimates and judgments:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is discussed in note 3.

1. BASIS OF PRESENTATION (CONTINUED):

(e) Statement of financial position:

The Exchange presents its statement of financial position in order of liquidity. Assets and liabilities that are expected to be recovered or settled in more than 12 months after the reporting date are summarized in note 15.

(f) Changes in accounting policies and disclosures:

In these financial statements, the Exchange has applied IFRS 17, Insurance Contracts (“IFRS 17”) and IFRS 9, Financial Instruments (“IFRS 9”) for the first time. The Exchange has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(i) IFRS 17, Insurance Contracts:

IFRS 17 replaces existing accounting under IFRS 4, Insurance Contracts and is effective beginning on January 1, 2023. The Exchange has restated comparative information for 2022. The nature of the changes in accounting policies can be summarised as follows:

a) Changes to classification and measurement:

The adoption of IFRS 17 did not change the classification of the Exchange’s insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Exchange.

Under IFRS 17, the Exchange’s insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the Premium Allocation Approach (“PAA”). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The accounting under the PAA is similar to IFRS 4, but differs in the following key areas:

- Measurement of the liability for remaining coverage is adjusted to include a loss component to reflect the expected loss from onerous contracts.

- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not reported claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Exchange’s obligation to pay other incurred insurance expenses.

1. BASIS OF PRESENTATION (CONTINUED):

(f) Changes in accounting policies and disclosures (continued):

(i) IFRS 17, Insurance Contracts (continued):

a) Changes to classification and measurement (continued):

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

The Exchange will continue to expense its insurance acquisition cash flows for all product lines. The Exchange allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.

The Exchange's classification and measurement of insurance and reinsurance contracts is explained in Note 7.

b) Changes to presentation and disclosure:

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

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

Portfolios were established at initial recognition in accordance with IFRS 17. Portfolios and groups may change prospectively if there are changes to how the Exchange manages its business.

Presentation changes in the statements of income are introduced by IFRS 17 where direct insurance results are presented separately from reinsurance results.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year.

1. BASIS OF PRESENTATION (CONTINUED):

(f) Changes in accounting policies and disclosures (continued):

(i) IFRS 17, Insurance Contracts (continued):

b) Changes to presentation and disclosure (continued):

Underwriting performance is presented in the statements of income under insurance service result and is composed of:

- Insurance revenue which includes revenues related to direct business;
- Insurance service expense which includes expenses related to direct business;
- Allocation of reinsurance premiums which includes expenses related to ceded business; and
- Amounts recoverable from reinsurers which include revenues related to ceded business.

Insurance service results are presented without the impact of discount unwinding and changes in discount rates which are shown separately under Net insurance financial result in Net income.

The following previously reported line items are no longer disclosed: net premiums earned, net claims and insurance benefits, and underwriting expenses.

IFRS 17 introduces extensive disclosure requirements on the amounts recognized from insurance and reinsurance contracts and the nature and extent of risks arising from these contracts.

c) Transition:

On transition date to IFRS 17, January 1, 2022, the Exchange:

- Identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied,
- Derecognised any existing balances that would not exist had IFRS 17 always applied,
- Recognised any resulting net difference in the guarantee fund.

Upon transition to IFRS 17 on January 1, 2022, the Exchange's guarantee fund increased by $3,139,548 due to the impact on the measurement of claims liabilities. Outside of that difference, the accounting practices under IFRS 4 were generally aligned with IFRS 17. IFRS 17 also resulted in presentation reclassification as described above.

1. BASIS OF PRESENTATION (CONTINUED):

(f) Changes in accounting policies and disclosures (continued):

(i) IFRS 17, Insurance Contracts (continued):

c) Transition (continued):

The following tables summarize the impact of IFRS 17 on the Exchange's statement of financial position on transition.

	IFRS 4	Change in measurement	Change in presentation	IFRS 17
Total assets	275,326,020	1,000	(7,279,286)	268,047,734
Total liabilities	133,662,194	(3,138,548)	(7,279,286)	123,244,360
Guarantee fund	141,663,826	3,139,548	-	144,803,374

(ii) IFRS 9, Financial Instruments:

On January 1, 2023, the Exchange adopted IFRS 9, replacing IAS 39, Financial Instruments. The standard includes requirements on classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets – measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). It eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

The Exchange has elected to measure all invested assets at FVTPL, as this significantly reduces the accounting mismatch arising from any measurement inconsistency between total Exchange assets and liabilities. This resulted in the reclassification of assets previously carried at amortized cost or designated as available-for-sale, where changes in fair value are recorded to unrealized gains and losses in OCI.

With the election to measure at FVTPL, testing and disclosure of financial assets meeting the test of solely payments of principal and interest is no longer applicable.

For financial liabilities, IFRS 9 largely retains the IAS 39 classification for classification for financial liabilities which can be measured at either amortized cost or FVTPL. Under IFRS 9, applicable financial liabilities will be measured at FVTPL, as this election significantly reduces accounting mismatch that would otherwise arise.

1. BASIS OF PRESENTATION (CONTINUED):

(f) Changes in accounting policies and disclosures (continued):

(ii) IFRS 9, Financial Instruments (continued):

In accordance with the transitional provisions provided by IFRS 9, the Exchange did not restate prior periods and did not elect to apply the overlay approach. Instead, certain financial assets and liabilities held as at January 1, 2023 were remeasured and reclassified retrospectively through adjustments to the Statement of Financial Position, based on the new classification requirements and the characteristics of each financial instrument as at the transition date.

The table below presents the classifications and carrying amount of financial assets and liabilities previously under IAS 39 and following transition to IFRS 9. The Exchange recognized the impacts of adoption through the elimination of balance in accumulated other comprehensive income ("AOCI") and the offsetting reduction to the guarantee fund balance by $15,691,638 on January 1, 2023.

Financial instrument	Classification IAS 39	Classification IFRS 9
Cash	FVTPL	FVTPL
Investments	AFS	FVTPL
Accrued investment income	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Premiums received in advance	Other financial liabilities	Amortized cost
Sales tax payable	Other financial liabilities	Amortized cost

The introduction of the IFRS 9 expected credit loss ("ECL") model, which replaced the IAS 39 incurred loss model, and the new general hedge accounting standard did not have a significant impact upon transition for the Exchange.

2. MATERIAL ACCOUNTING POLICIES:

(a) Insurance and reinsurance contracts accounting treatment:

i) Insurance and reinsurance contracts accounting classification:

The Exchange issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Exchange determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Exchange issues property and casualty insurance to its members, which includes property, liability, and auto.

ii) Separating components from insurance and reinsurance contracts:

The Exchange assesses its insurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Exchange applies IFRS 17 to all remaining components of the (host) insurance contract.

Currently, the Exchange's products do not include any distinct components that require separation.

iii) Levels of aggregation:

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

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(a) Insurance and reinsurance contracts accounting treatment (continued):

iii) Levels of aggregation (continued):

The Exchange divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

iv) Recognition:

The Exchange recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Exchange recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Exchange delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- the date the Exchange recognises an onerous group of underlying insurance contracts if the Exchange entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Exchange adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

v) Contract boundary:

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(a) Insurance and reinsurance contracts accounting treatment (continued):

v) Contract boundary (continued):

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

vi) Measurement – Premium Allocation Approach:

a) Premium Allocation Approach (PAA) Eligibility:

Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general measurement model. The coverage period for all insurance contracts is one year or less and so qualifies automatically for PAA.

b) Insurance acquisition cash flows:

Where the coverage period of all contracts withing a group is not longer than one year, insurance acquisition cash flows can either be expenses as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts and then amortized over the coverage period of the related group. The Exchange will expense insurance acquisition cash flows in the period for all contracts.

c) Liability for Remaining Coverage (LFRC), adjusted for the financial risk and the time value of money:

Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.

For all contracts, there is no allowance for the accretion of interest as the premiums are received within one year of the coverage period.

d) Liability for Incurred Claims (LFIC), adjusted for the time value of money:

Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.

For all business lines, adjustments are made for the time value of money when assessing the incurred claims.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(a) Insurance and reinsurance contracts accounting treatment (continued):

vi) Measurement – Premium Allocation Approach (continued):

e) Insurance finance income and expense:

There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.

For all contracts, the change in LFIC as a result of changes in discount rates will be captured within profit or loss.

vii) Insurance contracts measurement:

a) Initial measurement:

The Exchange applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds as the coverage period for all contracts is one year or less.

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

- The premiums, if any, received at initial recognition
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Exchange pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Exchange performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Exchange recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Exchange for the liability for remaining coverage for such onerous group depicting the losses recognised.

b) Subsequent measurement:

The Exchange measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period,
- Minus the amount recognised as insurance revenue for the services provided in the period.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(a) Insurance and reinsurance contracts accounting treatment (continued):

vii) Insurance contracts measurement (continued):

b) Subsequent measurement (continued):

The Exchange estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Exchange, and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Exchange recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Exchange for the liability for remaining coverage for such onerous group depicting the losses recognised.

viii) Reinsurance contracts held measurement:

a) Initial measurement:

The Exchange measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues (i.e. the PAA). However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Exchange recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Exchange establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Exchange calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Exchange expects to recover from the group of reinsurance contracts held. The Exchange uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(a) Insurance and reinsurance contracts accounting treatment (continued):

viii) Reinsurance contracts held measurement (continued):

b) Subsequent measurement:

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

Where the Exchange has established a loss-recovery component, the Exchange subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

ix) Insurance acquisition cash flows:

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

x) Insurance contracts – modification and derecognition:

The Exchange derecognises insurance contracts when:

- The rights and obligations relating to the relevant contracts are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Exchange derecognises the initial contract and recognises the modified contract as a new contract.
- When a modification is not treated as a derecognition, the Exchange recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(a) Insurance and reinsurance contracts accounting treatment (continued):

xi) Presentation:

The Exchange has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Exchange does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Exchange separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

xii) Insurance revenue:

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

The Exchange changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

xiii) Loss components:

The Exchange assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Exchange establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(a) Insurance and reinsurance contracts accounting treatment (continued):

xiv) Insurance finance income and expense:

Insurance finance income or expense comprise the change in the carrying amount of the group of insurance contracts arising from:

- The discount unwinding;
- Changes in discount rates;
- The effect of financial risk and changes in financial risk; and
- Net foreign currency gains (losses).

The Exchange has elected to record changes in discount rates in Net income in the line Net insurance financial result.

xv) Net income or expense from reinsurance contracts held:

Net expense from reinsurance contracts comprises of the amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid.

The Exchange treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the amounts recoverable from reinsurers and includes ceded commissions not contingent on claims as a reduction of the premiums paid to reinsurers.

(b) Financial instruments:

i) Financial assets:

a) Classification and measurement of financial instruments:

Financial assets are classified as fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”), or amortized cost based on their characteristics and purpose of their acquisition.

Financial assets are not reclassified subsequent to their initial recognition unless the Exchange changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- Its contractual terms give rise on specified dates to cash flows that are SPPI.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(b) Financial instruments (continued):

i) Financial assets (continued):

a) Classification and measurement of financial instruments (continued):

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Exchange may irrevocably designated a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Exchange classifies financial assets into the following categories:

- financial assets held at FVTPL: cash and investments;
- financial assets at amortized cost: accrued interest receivable, receivables and loan receivable.

The Exchange measures all invested assets as FVTPL. Invested assets were evaluated according to their business model in which they are managed and their contractual cash flow characteristics, specifically assessing whether cash flows represent solely payments of principal and interest (SPPI). Those that do not meet the SPPI test are required to be measured at FVTPL. Certain assets were reclassified to FVTPL because they did not pass the SPPI test. Financial assets that passed the SPPI test were also classified as FVTPL as doing so eliminates or significantly reduces accounting mismatch arising from measurement inconsistency between total Exchange assets and liabilities.

The 2022 comparative period amounts presented for invested assets are on an IAS 39 basis as IFRS 9 was adopted January 1, 2023. Note 1(f) presents a comparison of the classification under each standard. Invested assets are accounted for on the following basis for the 2023 reporting year:

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(b) Financial instruments (continued):

i) Financial assets (continued):

b) Business model assessment:

The Exchange assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The Exchange determines its investment business model by considering its insurance activities. In addition, judgment is used in concluding which model aligns best with its core business objectives and practices. Factors that are used in business model decisions include how insurance business generate benefits, significant risks facing the business on asset and liability fronts, how compensation is determined for portfolio managers responsible for managing investments, as well as historical and projected turnover of the investment portfolio to fund insurance business on a day-to-day basis. The Exchange's business models fall into two categories, which are indicative of the key strategies to generate returns:

- The Exchange's primary business model is held-to-collect and sell which provides a desired flexibility to support the Exchange's insurance business i.e., contractual cash flows from financial assets are collected by holding such investments, and these financial assets are sold when required to fund insurance contract liabilities.

- The Exchange also carries certain financial assets under the held-to-collect business model where the emphasis is to collect contractual cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

- The Exchange also specifically designates on an individual basis, a portion of investments as FVTPL to reduce accounting mismatch in Net income. This designation is irrevocable.

c) SPPI assessment:

In assessing whether contractual cash flows are SPPI, the Exchange considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(b) Financial instruments (continued):

i) Financial assets (continued):

c) SPPI assessment (continued):

In making the assessment, the Exchange considers the primary terms as follows and assesses if the contractual cash flows of the instruments continue to meet the SPPI test:

- Contingent events that would change the amount or timing of cash flows:
- Terms that limit the Exchange's claim to cash flows from specified assets (e.g. non-recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money (e.g. periodic reset of interest rates).

(ii) Financial liabilities:

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities are recognized initially on the trade date at which the Exchange becomes a party to the contractual provisions of the instrument. The Exchange derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Exchange has the following non-derivative financial liabilities: accounts payable and accrued liabilities and sales tax payable.

(iii) Investment income:

Dividends and interest income from these securities are included in investment income and are recorded as they accrue. Income distributions from Canadian income trusts are recorded as income when received. Dividend income on equity investments is recorded on the ex-dividend date.

(iv) General investment expenses:

General investment expenses are recognized as incurred.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(c) Leases:

At inception of a contract, the Exchange assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Exchange assesses whether:

i. The contract involves the use of an identified asset;

ii. The Exchange has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

iii. The Exchange has the right to direct the use of the asset. The Exchange has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Exchange has the right to direct the use of the asset if either:
   a) The Exchange has the right to operate the asset; or
   b) The Exchange designed the asset in a way that predetermines how and for what purposes it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2020.

Short-term leases and low value assets

The Exchange has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Exchange recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) Income taxes:

As an exchange under the Insurance Act of Ontario, the Exchange is not subject to income taxes and, accordingly, no provision for income taxes has been made in these financial statements.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(f) Impairment:

(i) Financial assets:

The Exchange recognises loss allowances for expected credit losses (ECL) on financial assets not classified as FVTPL. The Exchange measures loss allowances at an amount equal to lifetime ECL, except on other financial instruments for which the credit risk has not increased significantly since initial recognition, for which the amount recognised is the 12-month ECL.

The Exchange assesses at each reporting date whether a financial asset or group of financial assets, other than financial assets at FVTPL, is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When there is evidence of impairment, the value of these financial instruments is written down to the estimated net realizable value through investment income in the statement of comprehensive income.

(ii) Non-financial assets:

The carrying amounts of the Exchange’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less expected selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in income in the period in which the impairment is determined.

2. MATERIAL ACCOUNTING POLICIES (CONTINUED):

(g) Foreign currency translation:

The Canadian dollar is the functional and presentation currency of the Exchange. Transactions in foreign currencies are translated into Canadian dollars at rates of exchange at the time of such transactions. Monetary assets and liabilities are translated at current rates of exchange. In 2022, translation differences on AFS investments are classified as other changes in the carrying value of the investment and are recognized in other comprehensive income.

3. SIGNIFICANT JUDGMENTS AND ESTIMATES:

The Exchange makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Significant judgments:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Classification of financial assets: assign the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding. See note 2.

- Classification of insurance and reinsurance contracts. Assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features. See note 7.

3. SIGNIFICANT JUDGMENTS AND ESTIMATES (CONTINUED):

(a) Significant judgments (continued):

- Level of aggregation of insurance and reinsurance contracts. Identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. See note 7.

- Measurement of insurance and reinsurance contracts. Determining the techniques for estimating risk adjustments for non-financial risk and the coverage usings provided under a contract. See note 7.

- Impairment of financial assets establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of the ECL and selection and approval of models use to measure ECL. See note 2(f).

(b) Estimates and assumptions:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next twelve months include the following notes:

- Measurement of the fair value of financial instruments with significant unobservable inputs. See note 4.

- Information about assumptions made in measuring insurance and reinsurance contracts is included in note 7.

4. INVESTMENTS:

	2023	2022
Fixed income:		
Structured notes	$ 54,784,725	$ 46,757,700
Government bonds	8,019,466	9,957,308
Corporate bonds	61,077,928	61,290,165
Equities:		
Preferred shares	34,558,600	35,707,816
Common shares	2,335,955	5,405,382
Pooled funds and exchange traded funds	55,638,193	58,733,966
	$ 216,414,867	$ 217,852,337

The fair values of securities are based on quoted market values.

Fair values of cash and cash equivalents and accrued investment income approximate their carrying values due to the short-term maturity of these items.

With the change to FVTPL under IFRS 9, impairment evaluations are no longer required. In 2022, the Exchange assessed the value of its equity and fixed income portfolios to determine if there is objective evidence of impairment. During 2022, the Exchange wrote down investments that were deemed to be impaired by $234,000.

(a) Liquidity:

Maturity profile of fixed income investments as at December 31, 2023:

Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years
$29,453,234	$16,932,316	$45,281,838	$13,545,214	$18,669,517

Maturity profile of fixed income investments as at December 31, 2022:

Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years
$ 7,319,268	$28,373,526	$35,690,638	$27,660,415	$18,961,326

The weighted average yield for debt securities based on market value at December 31, 2023 is 4.74% (2022 – 5.44%).

4. INVESTMENTS (CONTINUED):

(b) Investment and other income:

	2023	2022
Interest	$ 4,415,305	$ 4,326,383
Dividends	4,548,333	4,695,842
Gain (loss) on sale of investments	(1,123,529)	6,647,712
Investment expenses	(431,384)	(279,052)
	$ 7,408,725	$ 15,390,885

(c) Fair values:

The Exchange uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The extent of the Exchange's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of bond and equity investments, as well as derivatives were as follows:

	Level 1	Level 2	Level 3	2023 Total
Equities and exchange traded funds	$ 36,894,555	$ 47,159,293	$ 8,478,900	$ 92,532,748
Bonds	–	69,097,394	–	69,097,394
Structured notes	–	54,784,725	–	54,784,725
Total	$ 36,894,555	$ 171,041,412	$ 8,478,900	$ 216,414,867

	Level 1	Level 2	Level 3	2022 Total
Equities and exchange traded funds	$ 56,118,050	$ 35,003,247	$ 8,725,867	$ 99,847,164
Bonds	–	71,247,473	–	71,247,473
Structured notes	–	46,757,700	–	46,757,700
Total	$ 56,118,050	$ 153,008,420	$ 8,725,867	$ 217,852,337

The Exchange did not have any significant transfers between Level 1, Level 2 and Level 3 included in the fair value hierarchy.

5. PROPERTY AND EQUIPMENT:

	Land and buildings	Equipment and furnishings	Automobile	Total
Cost:				
Balance, December 31, 2022	$ 817,834	$ 1,433,157	$ 42,977	$ 2,293,968
Additions	–	161,308	–	161,308
Disposals	–	(28,100)	–	(28,100)
Balance, December 31, 2023	817,834	1,566,365	42,977	2,427,176
Accumulated depreciation:				
Balance, December 31, 2022	$ 291,888	$ 1,268,121	$ 33,127	$ 1,593,136
Depreciation for the year	20,428	114,176	9,850	144,454
Disposals	-	(26,885)	–	(26,885)
Balance, December 31, 2023	312,316	1,355,412	42,977	1,710,705
Carrying amounts:				
Balance, December 31, 2022	$ 525,946	$ 165,036	$ 9,850	$ 700,832
Balance, December 31, 2023	$ 505,518	$ 210,953	$ –	$ 716,471

6. LIMITS OF LIABILITY:

(a) **Liability insurance:**

The limit of liability for liability insurance is a maximum amount on any one loss of $27,000,000 (2022 - $27,000,000) in the event of a liability claim and to a maximum amount of $27,000,000 (2022 - $27,000,000) in the event of a series of claims arising out of a single occurrence. In July 2020, the Exchange ceased to purchase reinsurance on this policy and instead established a Large Loss Fund as described in note 6(e). Prior to 2020, the Exchange obtained reinsurance protection on these policies to an amount not exceeding $22,000,000 on each and every occurrence or a series of claims arising out of a single occurrence in excess of $5,000,000, and an annual aggregate of $44,000,000.

(b) **Property insurance:**

The property insurance policy provides for payment in the event of any one loss or a series of losses arising out of a single occurrence in excess of the individual subscriber's deductible without limit. The Exchange has obtained reinsurance protection on these policies to a limit of $100,000,000 subject to a retention of $25,000,000 (2022 - $25,000,000) on each claim on property damages and $2,000,000 (2022 - $2,000,000) per claim for extra expenses, subject to an annual aggregate retention in the amount of $50,000,000 (2022 $50,000,000) beyond which the retention reduces to the subscriber's deductible.

6. LIMITS OF LIABILITY (CONTINUED):

(c) Boiler and machinery insurance:

The boiler and machinery insurance policy provides for payment in the event of any one loss or a series of losses arising out a single occurrence in excess of the individual subscriber's deductible. From 1992 to 2008 the Exchange boiler and machinery program was 100% reinsured. From 2008 to 2019, the Exchange insured this program through a subscription policy with another boiler insurer and shared in the losses at a rate of 25% from 2008 to 2011 and 50% share from 2011 to 2019. In 2020, the Exchange ceased this arrangement and insured the program 100%, with a policy limit of $25,000,000. Commencing January 1, 2022, the Exchange now 100% reinsures this program with another boiler insurer.

(d) Owned automobile insurance:

The insurance policy for subscriber-owned automobiles provides for payment in the event of any one loss or series of losses arising out of a single occurrence to a maximum for liability claims of $20,000,000 (2022 - $20,000,000) subject to recoverability of the individual subscriber's deductible. In July 2020, the Exchange ceased to purchase reinsurance for this line of business and established a Large Loss Fund to build capacity to insure these losses see note 6(e). Prior to 2020, the Exchange obtained reinsurance coverage for third party liability claims on these policies to an amount not exceeding $17,000,000 subject to retention of $3,000,000 per claim, and an annual aggregate of $34,000,000.

(e) Large Loss Fund for liability and automobile insurance losses:

In 2020, the Exchange established the Large Loss Fund for liability and automobile insurance losses to replicate the retention levels of reinsurance available in the marketplace and to ensure OSBIE will have funds available to pay large losses into the future (those losses exceeding $5,000,000). This fund helps the Exchange ensure rate stabilization for its Subscribers. In 2022, the Exchange's Board of Directors approved the allocation of capital from the liability and automobile underwriting groups, to bring the Fund to the target $34,000,000.

(f) Legal expense insurance:

Legal expense insurance has been offered by OSBIE since Jan 2019. The coverage limit is $50,000 per occurrence with the annual aggregate stop loss ranging between $0.5 million- $1 million per occurrence

7. INSURANCE AND REINSURANCE CONTRACTS:

(a) Significant judgements and estimates:

The Exchange applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Exchange's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Exchange now includes an explicit risk adjustment for non-financial risk.

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

i) Liability for remaining coverage:

a) Onerous groups:
For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

b) Time value of money:
The Exchange does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money or the effect of financial risk for any of its product lines.

ii) Liability for incurred claims:

Provisions have been made for the estimated liability for all reported and outstanding claims using a case-basis evaluation plus an amount for adverse development and for claims incurred to December 31, which have not yet been reported to the Exchange. Expected reinsurance recoveries on claims liabilities are recognized as assets on the same basis.

Since the amounts are necessarily based on estimates of future trends in claim severity and other factors which could vary as the claims are settled, the ultimate liability may be more or less than the estimated amounts. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the unpaid claims amounts and related adjustment expenses are adequate. The estimates are periodically reviewed by an actuary and, as adjustments to these liabilities become necessary, they are reflected in current operations.

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED):

(a) Significant judgements and estimates (continued):

ii) Liability for incurred claims (continued):

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Exchange's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Exchange also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

The Exchange records reinsurance balances on the statement of financial position on a gross basis to indicate the extent of credit related to reinsurance, and records its obligations to subscribers on a net basis in the statement of comprehensive income to indicate the results of its retention of premiums written. Amounts recoverable from reinsurers are estimated in a manner consistent with the related claims liabilities.

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED):

(a) Significant judgements and estimates (continued):

iii) Discount rates:

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of Government of Canada market curve. The illiquidity premium is determined by reference to observable market rates.

Discount rates applied for discounting of future cash flows are listed below:

	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years
2023	5.41%	4.95%	4.77%	4.75%	4.86%
2022	5.66%	5.34%	5.18%	5.15%	5.33%

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in Note 9.

iv) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Exchange requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Exchange has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Exchange has assessed that in order to be indifferent to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) they require an additional amount equivalent to the 75th percentile level less the mean of an estimated probability distribution of the future cash flows. The Exchange has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed in Note 7.

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED):

(b) Nature of insurance contract liabilities:

The Exchange strives to establish adequate claim liabilities at the original valuation date. However, as time passes, the ultimate cost of claims becomes more certain. During 2023, the Exchange experienced unfavourable claims development of $12,923,000 (2022 - unfavourable claims development of $5,487,000).

The table below details the claim liabilities by risk categories:

	2023		2022	
	Gross	Ceded	Gross	Ceded
General liability	$ 97,448,227	$ –	$ 89,001,000	$ –
Property, boiler and machinery and crime	11,754,344	3,416,000	12,167,000	2,692,000
Automobile	775,461	–	815,000	–
Legal expense	3,519,968	–	2,151,000	–
	$ 113,498,000	$ 3,416,000	$ 104,134,000	$ 2,692,000

Management has concluded that the best estimate of the fair value of claims liabilities currently available is the amount calculated by the Appointed Actuary. The Actuary's calculated value as at December 31, 2023 amounted to $ 113,498,000 (2022 - $104,134,000) and is gross of estimated reinsurance recoverable of $3,416,000 (2022 - $2,692,000).

Insurance ceded under reinsurance arrangements does not relieve the Exchange of its primary liability to the subscriber. No information has come to the Exchange's attention indicating that any of its current reinsurers will not be able to honour their liabilities under these reinsurance contracts.

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED):

(c) Discounting of the insurance contract liabilities and related reinsurance contract assets:

The provision for insurance contract liabilities and related reinsurance recoveries is discounted using rates based on Fiera Capital's CIA IFRS 17 Illiquid Reference Curve using data as of December 29, 2023, and reflecting the estimated timing of payments and recoveries. The discount rate used in the valuation was 4.85% (2022 - 5.2%).

The gross provision and reinsurance recoverable estimates are as follows:

	2023		2022	
	Discounted	Undiscounted	Discounted	Undiscounted
Gross provision	$ 113,498,000	$ 116,276,000	$ 104,134,000	$ 107,690,000
Reinsurance ceded	3,416,000	3,294,000	2,692,000	2,621,000

(d) Insurance contract liabilities and reinsurance contract assets:

			2023
	Gross	Reinsurance	Net
Notified claims	$ 74,120,992	$ 3,295,944	$ 70,825,048
Claims incurred but not reported	39,377,008	120,056	39,256,952
	$ 113,498,000	$ 3,416,000	$ 110,082,000

			2022
	Gross	Reinsurance	Net
Notified claims	$ 69,060,626	$ 2,624,000	$ 66,436,626
Claims incurred but not reported	35,073,374	68,000	35,005,374
	$ 104,134,000	$ 2,692,000	$ 101,442,000

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED):

(e) Roll-forward of net asset or liability for insurance contracts:

The Exchange provides disclosure for its entire portfolio on an overall basis without further disaggregating information based on major product lines. This approach reflects the Exchange's management and reporting practices.

7. Insurance and reinsurance contracts (continued): (e) Roll-forward of net asset or liability for insurance contracts (continued):

	Liabilities for remaining coverage		Liabilities for incurred claims		
2023	Excluding loss component	Loss component	Estimates of PVFCF	Risk adjustments	Total
Insurance contract assets, beginning of year	-	-	-	-	-
Insurance contract liabilities, beginning of year	894,000	-	92,305,000	11,829,000	105,028,000
Net balance (assets) liability, beginning of year	**894,000**	**-**	**92,305,000**	**11,829,000**	**105,028,000**
Insurance revenue	(38,420,000)	-	-	-	(38,420,000)
Insurance service expenses					
Incurred claims and other directly attributable expense	-	-	29,101,000	2,803,000	31,904,000
Insurance acquisition cash flows amortisation	1,055,000	-	-	-	1,055,000
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes that relate to past service – adjustments to the LIC	-	-	12,120,000	(1,766,000)	10,354,000
Impairment losses recognised during the year	-	-	-	-	-
Reversal of impairment losses recognised during the year	-	-	-	-	-
Insurance service result	**(37,365,000)**	**-**	**41,221,000**	**1,037,000**	**4,893,000**
Insurance finance expense	-	-	5,452,000	-	5,452,000
Total changes in the statement of comprehensive income	**(37,365,000)**		**46,673,000**	**1,037,000**	**10,345,000**
Cash flows:					
Premiums received	38,402,000	-	-	-	38,402,000
Claims and other directly attributable expenses paid	-	-	(38,347,000)	-	(38,347,000)
Insurance acquisition cash flows	(899,000)	-	-	-	(899,000)
Total cash flows	**37,503,000**	**-**	**(38,347,000)**	**-**	**(844,000)**
Net balance (asset) liability, end of year	**1,032,000**	**-**	**100,631,000**	**12,866,000**	**114,529,000**
Insurance contract assets, end of year	-	-	-		-
Insurance contract liabilities, end of year	1,032,000	-	100,631,000	12,866,000	114,529,000
Net balance (asset) liability, end of year	**1,032,000**	**-**	**100,631,000**	**12,866,000**	**114,529,000**

7. Insurance and reinsurance contracts (continued): (e) Roll-forward of net asset or liability for insurance contracts (continued):

	Liabilities for remaining coverage		Liabilities for incurred claims		
2022	Excluding loss component	Loss component	Estimates of PVFCF	Risk adjustment	Total
Insurance contract assets, beginning of year	-	-	-	-	-
Insurance contract liabilities, beginning of year	872,000	-	80,241,000	10,401,000	91,514,000
Net balance (asset) liability, beginning of year	**872,000**	**-**	**80,241,000**	**10,401,000**	**91,514,000**
Insurance revenue	(36,006,000)	-	-	-	(36,006,000)
Insurance service expenses					
Incurred claims and other directly attributable expense	-	-	37,503,000	3,261,000	40,764,000
Insurance acquisition cash flows amortisation	899,000	-	-	-	899,000
Losses on onerous contracts and reversals of those losses	-	-	-	-	-
Changes that relate to past service – adjustments to the LIC	-	-	4,251,000	(1,834,000)	2,417,000
Impairment losses recognised during the year	-	-	-	-	-
Reversal of impairment losses recognised during the year	-	-	-	-	-
Insurance service result	**(35,107,000)**	**-**	**41,754,000**	**1,427,000**	**8,074,000**
Insurance finance expenses	-	-	(3,365,000)	-	(3,365,000)
Total changes in the statement of comprehensive income	**(35,107,000)**	**-**	**38,389,000**	**1,427,000**	**4,709,000**
Cash flows:					
Premiums received	36,001,000	-	-	-	36,001,000
Claims and other directly attributable expenses paid	-	-	(26,324,000)	-	(26,324,000)
Insurance acquisition cash flows	(872,000)	-	-	-	(872,000)
Total cash flows	**35,129,000**	**-**	**(26,324,000)**	**-**	**8,805,000**
Net balance (asset) liability, end of year	**894,000**	**-**	**92,306,000**	**11,828,000**	**105,028,000**
Insurance contract assets, end of year	-	-	-	-	-
Insurance contract liabilities, end of year	894,000	-	92,306,000	11,828,000	105,028,000
Net balance (asset) liability, end of year	**894,000**	**-**	**92,306,000**	**11,828,000**	**105,028,000**

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED):

(e) Roll-forward of net asset or liability for insurance contracts (continued):

Reinsurance contracts

The Exchange provides disclosure for its entire reinsurance portfolio on an overall basis without further disaggregating information based on specific reinsurance lines or segments. This approach aligns with the Exchange's management and reporting practices.

7. Insurance and reinsurance contracts (continued): (e) Roll-forward of net asset or liability for insurance contracts (continued):

	Assets for remaining coverage		Assets for incurred claims		
2023	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF	Risk adjustments	Total
Reinsurance contract assets, beginning of year	237,000	-	2,650,000	148,000	3,035,000
Reinsurance contract liabilities, beginning of year	-	-	-	-	-
Net balance asset (liability), beginning of year	**237,000**	**-**	**2,650,000**	**148,000**	**3,035,000**
Allocation of reinsurance premiums	(2,463,000)	-	-	-	(2,463,000)
Amounts recoverable from reinsurers for incurred claim	-	-	258,000	17,000	275,000
Amortization of reinsurance acquisition cash flows	(25,000)	-	-	-	(25,000)
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Adjustments to assets for incurred claims	-	-	581,000	53,000	634,000
Net income/expense from reinsurance contracts held	**(25,000)**	**-**	**839,000**	**70,000**	**884,000**
Net finance (income) expenses from reinsurance contracts held	-	-	76,000	-	76,000
Effect of changes in the risk of reinsurers non performance	-	-	(3,000)	-	(3,000)
Total changes in the statement of comprehensive income	**(2,488,000)**	**-**	**912,000**	**70,000**	**(1,506,000)**
Cash flows:					
Premiums paid net of ceding commissions and other directly attributable expenses paid	2,515,000	-	-	-	2,515,000
Amounts received	-	-	(364,000)	-	(364,000)
Reinsurance acquisition cash flows	25,000	-	-	-	25,000
Total cash flows	**2,540,000**	**-**	**(364,000)**	**-**	**2,176,000**
Net balance asset (liability), end of year	**289,000**	**-**	**3,198,000**	**218,000**	**3,705,000**
Reinsurance contract assets, end of year	289,000	-	3,198,000	218,000	3,705,000
Reinsurance contract liabilities, end of year	-	-	-	-	-
Net balance asset (liability), end of year	**289,000**	**-**	**3,198,000**	**218,000**	**3,705,000**

7. Insurance and reinsurance contracts (continued): (e) Roll-forward of net asset or liability for insurance contracts (continued):

	Assets for remaining coverage		Assets for incurred claims		
2022	Excluding loss recovery component	Loss recovery component	Estimates of PVFCF	Risk adjustments	Total
Reinsurance contract assets, beginning of year	229,000	-	2,378,000	72,000	2,679,000
Reinsurance contract liabilities, beginning of year	-	-	-	-	-
Net balance asset (liability), beginning of year	**229,000**	**-**	**2,378,000**	**72,000**	**2,679,000**
Allocation of reinsurance premiums	(2,165,000)	-	-	-	(2,165,000)
Amounts recoverable from reinsurers for incurred claim	-	-	595,000	11,000	606,000
Amortization of reinsurance acquisition cash flows	(25,000)	-	-	-	(25,000)
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claim	-	-	511,000	65,000	576,000
Net income/expense from reinsurance contracts held	**(2,190,000)**	**-**	**1,106,000**	**76,000**	**(1,008,000)**
Net finance (income) expenses from reinsurance contracts held	-	-	19,000	-	19,000
Effect of changes in the risk of reinsurers non performance	-	-	(1,000)	-	(1,000)
Total changes in the statement of comprehensive income	**(2,190,000)**	**-**	**1,124,000**	**76,000**	**(990,000)**
Cash flows:					
Premiums paid net of ceding commissions and other directly attributable expenses paid	2,173,000	-	-	-	2,173,000
Amounts received	-	-	(852,000)	-	(852,000)
Reinsurance acquisition cash flows	25,000	-	-	-	25,000
Total cash flows	**2,198,000**	**-**	**(852,000)**	**-**	**1,346,000**
Net balance asset (liability), end of year	**237,000**	**-**	**2,650,000**	**148,000**	**3,035,000**
Reinsurance contract assets, end of year	237,000	-	2,650,000	148,000	3,035,000
Reinsurance contract liabilities, end of year	-	-	-	-	-
Net balance asset (liability), end of year	**237,000**	**-**	**2,650,000**	**148,000**	**3,035,000**

7. INSURANCE AND REINSURANCE CONTRACTS (CONTINUED):

(f) Changes in assumptions:

Consideration is given to the characteristics of the risks, historical trends, the amount of data available on individual claims, inflation and any other pertinent factors. Some assumptions require a significant amount of judgment such as the expected future impacts of future judicial decisions and government legislation. The diversity of these considerations result in it not being practicable to identify and quantify all individual assumptions that are more likely than others to have a significant impact on the measurement of the Exchange's insurance contracts. There were no assumptions identified in the year or the preceding year as having a potential or identifiable material impact on the overall claims estimate.

(g) Sensitivity analysis:

There is uncertainty inherent in the estimation process. The actual amount of ultimate claims can only be ascertained once all claims are closed. Among all the lines of business, general liability line of business has the largest unpaid claims liabilities. Given the nature of this line of business and the fact that it has a very long tail, this line's estimate is the most critical to the assumptions used. If the tail factor selection on this line of business was 5% higher, the undiscounted net claims liabilities would be $14,377,000 (2022 - $15,902,000) higher. The effect on net income would be a reduction of $13,986,000 (2022 - $15,188,000). If the expected loss ratios used were 5% higher in all loss years, the undiscounted net claims liabilities would be $2,271,000 (2022 - $1,239,000) higher, generating a reduction of $2,212,000 (2022 - $1,170,000) in net income. Changes in assumptions on other lines of business are considered to be less material.

(h) Claims development tables:

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive loss year at each reporting date, together with cumulative payments to date.

7. CLAIMS LIABILITIES (CONTINUED):

(i) Claims development tables:

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive loss year at each reporting date, together with cumulative payments to date.

2023 Gross basis:

TOTAL ALL INSURANCE RISKS										
Year of loss	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims costs:										
at end of the year of loss	32,206	33,320	31,327	25,609	20,381	19,821	30,410	17,521	39,577	32,494
one year later	26,502	24,816	25,467	24,074	18,814	19,466	29,802	14,992	42,713	–
two years later	23,642	23,228	22,647	25,457	17,397	19,857	29,752	14,990	–	–
three years later	23,553	23,729	21,598	28,275	18,430	19,746	31,861	–	–	–
four years later	22,659	22,976	22,433	29,647	19,151	18,748	–	–	–	–
five years later	22,204	22,380	22,269	29,879	18,602	–	–	–	–	–
six years later	23,342	22,757	21,961	29,162	–	–	–	–	–	–
seven years later	24,239	23,825	21,792	–	–	–	–	–	–	–
eight years later	25,419	24,644	–	–	–	–	–	–	–	–
nine years later	25,776	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims	25,776	24,644	21,792	29,162	18,602	18,748	31,861	14,990	42,713	32,494
Cumulative payments to date	23,673	20,756	18,167	21,579	13,136	12,420	27,588	6,758	21,635	2,892

7. CLAIMS LIABILITIES (CONTINUED):

(i) Claims development tables (continued):

2023 Net basis:

	TOTAL ALL INSURANCE RISKS									
Year of loss	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims costs:										
at end of the year of loss	32,152	33,052	31,194	25,461	20,498	19,660	27,530	17,521	38,972	32,225
one year later	26,445	24,619	25,279	23,924	18,595	19,739	25,649	20,433	41,517	–
two years later	23,585	23,029	22,129	25,307	17,255	20,137	29,205	14,991	–	–
three years later	23,554	23,531	21,410	28,126	18,977	20,969	27,141	–	–	–
four years later	22,661	22,778	21,892	29,497	19,823	18,942	–	–	–	–
five years later	22,205	22,180	21,029	31,241	19,149	–	–	–	–	–
six years later	23,344	22,558	21,775	29,013	–	–	–	–	–	–
seven years later	24,240	23,392	20,552	–	–	–	–	–	–	–
eight years later	26,903	24,445	–	–	–	–	–	–	–	–
nine years later	25,776	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims	25,776	24,445	20,552	29,013	19,149	18,942	27,141	14,991	41,517	32,225
Cumulative payments to date	23,625	20,557	17,979	21,429	12,945	12,276	25,005	6,758	21,366	2,866

7. CLAIMS LIABILITIES (CONTINUED):

(i) Claims development tables (continued):

2022 Gross basis:

	TOTAL ALL INSURANCE RISKS									
Year of loss	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of ultimate claims costs:										
at end of the year of loss	40,102	32,206	33,320	31,327	25,609	20,381	19,821	30,410	17,521	39,577
one year later	35,413	26,502	24,816	25,467	24,074	18,814	19,466	29,802	14,992	–
two years later	30,998	23,642	23,228	22,647	25,457	17,397	19,857	29,752	–	–
three years later	28,861	23,553	23,729	21,598	28,275	18,430	19,746	–	–	–
four years later	29,309	22,659	22,976	22,433	29,647	19,151	–	–	–	–
five years later	28,759	22,204	22,380	22,269	29,879	–	–	–	–	–
six years later	28,630	23,342	22,757	21,961	–	–	–	–	–	–
seven years later	30,024	24,239	23,825	–	–	–	–	–	–	–
eight years later	30,279	25,419	–	–	–	–	–	–	–	–
nine years later	30,463	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims	30,463	25,419	23,825	21,961	29,879	19,151	19,746	29,752	14,992	39,577
Cumulative payments to date	27,895	23,063	18,612	17,210	20,541	11,289	10,999	26,065	4,943	6,353

7. CLAIMS LIABILITIES (CONTINUED):

(i) Claims development tables (continued):

2022 Net basis:

	TOTAL ALL INSURANCE RISKS									
Year of loss	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000	$’000
Estimate of ultimate claims costs:										
at end of the year of loss	39,420	32,152	33,052	31,194	25,461	20,498	19,660	27,530	17,521	38,972
one year later	35,256	26,445	24,619	25,279	23,924	18,595	19,739	25,649	20,433	–
two years later	30,548	23,585	23,029	22,129	25,307	17,255	20,137	29,205	–	–
three years later	28,385	23,554	23,531	21,410	28,126	18,977	20,969	–	–	–
four years later	28,774	22,661	22,778	21,892	29,497	19,823	–	–	–	–
five years later	28,224	22,205	22,180	21,029	31,241	–	–	–	–	–
six years later	28,096	23,344	22,558	21,775	–	–	–	–	–	–
seven years later	29,490	24,240	23,392	–	–	–	–	–	–	–
eight years later	29,745	26,903	–	–	–	–	–	–	–	–
nine years later	30,412	–	–	–	–	–	–	–	–	–
Current estimate of cumulative claims	30,412	26,903	23,392	21,775	31,241	19,823	20,969	29,205	20,433	38,972
Cumulative payments to date	27,421	23,016	18,414	17,022	20,392	11,097	10,941	23,482	4,943	6,232

8. INSURANCE SERVICE EXPENSE

The breakdown of insurance service expenses is presented below:

	2023	2022
Claims and benefits	$ 39,843,961	$ 41,055,430
Salaries and employee benefits	1,768,259	1,609,259
Professional fees	213,768	124,485
Depreciation	19,160	19,062
Occupancy expenses	65,279	57,642
Information technology	150,281	152,399
Other general expenses	1,254,292	1,061,535
	$ 43,315,000	$ 44,079,812

9. FINANCIAL RISK MANAGEMENT:

The primary goals of the Exchange's financial risk management policies are to ensure that the outcomes of activities involving elements of risk are consistent with the Exchange's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Exchange's statement of financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risk through preventive controls and transferring risk to third parties.

The Exchange's exposure to potential loss from financial risks is primarily due to underwriting risk along with various market risks, including interest rate risk and equity market fluctuation risk, foreign currency risk, liquidity risk, as well as credit risk.

(a) Underwriting risk:

Underwriting risk is the risk that the total cost of claims and acquisition expenses will exceed premiums received and can arise from numerous factors, including pricing risk, reserving risk, catastrophic loss risk and reinsurance coverage risk.

Our underwriting objective is to develop business within our target market on a prudent and diversified basis and to achieve underwriting results of up to a 103% combined ratio.

9. FINANCIAL RISK MANAGEMENT (CONTINUED):

(a) Underwriting risk (continued):

(i) Pricing risk:

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the underwriting results of the property and casualty industry have fluctuated significantly due to the cyclicality of the insurance market. The market cycle is affected by the frequency and severity of losses, levels of capacity and demand, general economic conditions and price competition. We price our products taking into account numerous factors including claims frequency and severity trends, product line expense ratios, special risk factors, the capital required to support the product line, and the investment income earned on that capital. These factors are set in conjunction with our actuary, and are reviewed and adjusted periodically to ensure they reflect the current environment.

(ii) Reserving risk:

Reserving risk arises due to the length of time between the occurrence of a loss, the reporting of the loss to the insurer and ultimate resolution of the claim. Claim provisions are expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, a review of historical settlement patterns, estimates of trends in claims severity and frequency, legal theories of liability and other factors.

Variables in the reserve estimation process can be affected by receipt of additional claim information and other internal and external factors, such as changes in claims handling procedures, economic inflation, legal and judicial trends, legislative changes, inclusion of exposures not contemplated at the time of policy inception and significant changes in severity or frequency of claims relative to historical trends. Due to the amount of time between the occurrence of a loss, the actual reporting of the loss and the ultimate payment, provisions may ultimately develop differently from the actuarial assumptions made when initially estimating the provision for claims. The Exchange’s provision for claims are reviewed separately by, and must be acceptable to, the independent appointed actuary, and an external valuation actuary.

9. FINANCIAL RISK MANAGEMENT (CONTINUED):

(a) Underwriting risk (continued):

(iii) Catastrophic loss risk:

Catastrophic loss risk is the exposure to losses resulting from multiple claims arising out of a single catastrophic event. Property and casualty insurance companies experience large losses arising from manmade or natural catastrophes that can result in significant underwriting losses. Catastrophes can cause losses in a variety of property and casualty lines and may have continuing effects which could delay or hamper efforts to timely and accurately assess the full extent of the damage they cause. The incidence and severity of catastrophes are inherently unpredictable. The Exchange's exposure to insured risks is managed through the use of reinsurance. The Exchange reinsures claims from a single catastrophe over $25,000,000 to a maximum of $100,000,000. The net retained amount of $25,000,000 represents less than 20% of the Exchange's Guarantee Fund. Reinsurance coverage risk arises because reinsurance terms, conditions and/or pricing may change on renewal, particularly following catastrophes.

(iv) Reinsurance risk:

The Exchange relies on reinsurance to manage the underwriting risk, however, reinsurance does not release the Exchange from its primary commitments to its policyholders. Therefore, the Exchange is exposed to the credit risk associated with the amounts ceded to reinsurers. The Exchange assesses the financial soundness of the reinsurers before signing any reinsurance treaties and monitors their situation on a regular basis. In addition, the Exchange has minimum rating requirements for its reinsurers. The Exchange tenders reinsurance requirements on a regular basis to ensure that the best price possible is obtained. The Exchange works with well established reinsurers that have expertise in their field as well as an understanding of the business. Management reviews reinsurance programs to manage cost-efficiency and reduce the likelihood of coverage gaps.

9. FINANCIAL RISK MANAGEMENT (CONTINUED):

(b) Credit risk:

(i) Invested assets:

The Exchange's risk management strategy is to invest primarily in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer. The Exchange attempts to limit credit exposure by imposing portfolio limits on individual corporate issuers as well as limits based on credit quality. The breakdown of the Exchange's fixed income portfolio, by Standard and Poor's or Moody's rating is presented below:

	2023		2022	
	Fair value	% of total	Fair value	% of total
AAA	$ 1,064,536	1	$ 3,033,108	3
AA	52,787,505	43	45,515,650	38
A	29,978,682	24	17,764,540	15
BBB	40,051,396	32	51,691,875	44
	$ 123,882,119	100	$ 118,005,173	100

(ii) Reinsurance recoverable and receivable:

Credit exposure on the Exchange's reinsurance recoverable and receivable balances exists at December 31, 2023 to the extent that any reinsurer may not be able or willing to reimburse the Exchange under the terms of the relevant reinsurance arrangements. The Exchange has policies which limit its exposure to individual reinsurers and a regular review process to assess the creditworthiness of reinsurers with whom it transacts business. Internal guidelines generally require reinsurers to have A ratings. Any exceptions are subject to CEO approval.

In 2023, the Exchange has reinsurance contract assets of $3,416,000 (2022 - $2,692,000). The receivable balance at December 31, 2023 is $nil (2022 - $105,000).

9. FINANCIAL RISK MANAGEMENT (CONTINUED):

(b) Credit risk (continued):

(iii) Aggregated credit risk:

The Exchange's aggregate exposure to credit risk is as follows:

	2023	2022
Investments in bonds	$ 69,097,394	$ 71,247,473
Investments in structured notes	54,784,725	46,757,700
Accrued investment income	785,677	806,642
Loan receivable	401,988	422,715
Accounts receivable	33,911	43,929
Reinsurance contract assets	3,416,000	2,797,000
Salvage and subrogation	11,769,783	9,546,950
Structured settlements (note 11)	16,178,527	17,743,931
	$ 156,468,005	$ 149,366,340

(c) Liquidity risk:

Liquidity risk is the risk of having insufficient cash resources to meet financial commitments and policy obligations as they fall due, without raising funds at unfavourable rates or selling assets on a forced basis.

Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The liquidity requirements of the Exchange's business have been met primarily by funds generated from operations, asset maturities and income and other returns received on securities. Cash provided from these sources is used primarily for claims and claim adjustment expense payments and operating expenses. The timing and amount of catastrophe claims are inherently unpredictable and may create increased liquidity requirements.

To meet these cash requirements, the Exchange has policies to limit and monitor its exposure to individual issuers or related groups and to ensure that assets and liabilities are broadly matched in terms of their duration and currency. The Exchange also holds a portion of invested assets in liquid securities. At December 31, 2023, the Exchange has $34,677,604 (2022 - $29,366,639) of cash and cash equivalents. In addition, the Exchange has a line of credit available in the amount of $500,000 (2022 - $500,000).

Along with the expected maturity profile of The Exchange's investment portfolio in note 4(a), the following table shows the expected payout pattern of the unpaid claim liabilities.

9. FINANCIAL RISK MANAGEMENT (CONTINUED):

(c) Liquidity risk (continued):

Expected payout pattern of unpaid claims as at December 31, 2023:

Within 1 year	1 – 5 years	5 – 10 years	Over 10 years	Total
$33,173,533	$54,171,603	$19,680,747	$5,955,720	$112,981,603

Expected payout pattern of unpaid claims as at December 31, 2022:

(Restated) Within 1 year	1 - 5 years	5 - 10 years	Over 10 years	Total
$32,211,153	$49,337,365	$17,471,659	$6,048,993	$105,069,170

(d) Market risk:

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. Below is a discussion of the Exchange's primary market risk exposures and how those exposures are currently managed.

(i) Interest rate risk:

Fluctuations in interest rates have a direct impact on the market valuation of the Exchange's fixed income securities portfolio and liability values. Historical data and current information is used to profile the ultimate claims settlement pattern by class of insurance, which is then used in a broad sense to develop an investment policy and strategy. Generally, our investment income will move with interest rates over the long-term. Short-term interest rate fluctuations will generally create unrealized gains or losses. Generally, the Exchange's interest and dividend investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature, or are sold and the proceeds are reinvested at lower rates, and will likely result in unrealized gains in the value of fixed income securities the Exchange continues to hold, as well as realized gains to the extent the relevant securities are sold. During periods of rising interest rates, the market value of the Exchange's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced or result in realized losses.

9. FINANCIAL RISK MANAGEMENT (CONTINUED):

(d) Market risk (continued):

(i) Interest rate risk (continued):

As at December 31, 2023, management estimates that an immediate hypothetical 100 basis point, or 1%, parallel increase in interest rates would decrease the market value of the fixed income securities by $5,559,224 (2022 - $7,198,988), representing 4.5% (2022 – 4.6%) of the $118,322,895 (2022 - $155,396,359) fair value fixed income securities portfolio and T-bills, and decrease the value of unpaid claims reserves by $2,618,295 (2022 - $2,950,000), thus partially offsetting the change in market value of bonds. Conversely, a 100 basis point decrease in interest rates would increase the market value of the fixed income securities by $6,194,098 (2022 - $8,087,687) and value of unpaid claims reserves by $2,795,826 (2022 - $33,111,000). If it was necessary for us to complete an unexpected quick liquidation of assets to meet our policy obligations, interest rate fluctuations could result in realized gains or losses greater than the change in reserve values.

(ii) Equity market fluctuation risk:

Fluctuations in the value of equity securities affects the level and timing of recognition of gains and losses on securities held, and causes changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and, consequently, the value of the equity securities the Exchange owns.

To mitigate these risks, the Exchange establishes an investment policy which is approved by the Board of Directors. The policy sets forth limits for each type of investment and compliance with the policy is closely monitored. The Exchange manages market risk through asset class diversification, policies to limit and monitor its individual issuers and aggregate equity exposure.

As at December 31, 2023, management estimates that a 10% increase in equity markets, with all other variables held constant, would impact net income by approximately $3,689,456 (2022 - $9,984,716). A 10% decrease in equity prices would have the corresponding opposite effect, impacting OCI by the same amounts. Equities comprise 43% (2022 - 46%) of the fair value of the Exchange’s total investments.

9. FINANCIAL RISK MANAGEMENT (CONTINUED):

(d) Market risk (continued):

(iii) Foreign exchange risk:

Foreign exchange risk is the possibility that changes in exchange rates produce an unintended effect on earnings and equity when measured in domestic currency. This risk is larger when assets backing liabilities are payable in one currency and are invested in financial instruments of another currency. The Exchange monitors the exposure of invested assets to foreign exchange and limits these amounts when deemed necessary and mitigates foreign exchange rate risk. The Exchange may nevertheless, from time to time, experience losses resulting from fluctuations in the values of these foreign currencies, which could adversely affect operating results.

At December 31, 2023, the Exchange held $1,073,719 in US bonds (2022 - 1,064,965).

As at December 31, 2023, management estimates that a 10% increase in the value of the Canadian dollar compared to the US dollar with all other variables held constant, would impact net income by $107,818 (2022 - $106,583). A 10% decrease in the value of Canadian dollar compared to US dollars would have the corresponding opposite effect, impacting net income by the same amounts.

10. PENSION PLAN:

All employees of the Exchange are eligible to be members of the Ontario Municipal Employees Retirement System (“OMERS”), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. From the inception date of September 1, 2004 to December 31, 2023, eligible employees contributed at rates between 9% and 14% of earnings. The Exchange contributions equal the employee contributions to the plan. During the year ended December 31, 2023, the Exchange contributed $337,505 (2022 - $317,071) to the plan. As this is a multi-employer pension plan, these contributions are the Exchange’s pension benefit expenses. No pension liability for this type of plan is included in the Exchange’s financial statements. The Exchange has a letter of guarantee with an OMERS member as per the requirements of membership.

11. STRUCTURED SETTLEMENTS:

The Exchange, in the normal course of settling certain insurance claims, purchases annuities from unrelated life insurance companies who are licensed in Canada and regulated by the Superintendent of Financial Institutions Canada. These life insurance companies then make periodic payments to the Exchange's claimants. The Exchange is exposed to credit risk to the extent that any of the life insurance companies are unable to continue making these annuity claims payments. The Exchange's maximum exposure to credit risk for these types of arrangements is approximately $16,178,527 as at December 31, 2023 (2022 - $17,743,931). This exposure is reduced to the extent of coverage provided by the life insurance industry Assuris insurance plan. The Exchange has determined that no credit risk provision is required at December 31, 2023.

12. GUARANTEE FUND:

(a) In accordance with the Agreement, subscribers were not obliged to contribute any amounts to the Exchange in the form of a capital contribution in 2023. The Guarantee Fund, therefore, represents the cumulative excess of income over expenses, including investment income, and may be used to cover potential future catastrophe claims or reduce future premiums as appropriate. The Agreement provides that additional assessments may be made to the subscribers to the extent that premiums collected are insufficient to cover the claims and expenses experienced by the Exchange. Similarly, where accumulated funds are in excess of funds required to meet the obligations in respect of claims arising, the Agreement provides for the issue of premium credits.

The Board of Directors approved the refund of $1,944,000 (2022 - $7,602,000) to liability subscribers, $2,647,000 (2022 $nil) to property subscribers and $414,000 (2022 - $434,000) to automobile subscribers.

The Insurance Act of Ontario requires the Exchange to maintain a Guarantee Fund of at least $50,000.

(b) The additional guarantee funds relate to the following underwriting groups:

	2023	2022
General liability	$ 20,917,158	$ 38,017,146
Property, boiler and machinery and crime	42,033,001	45,303,121
Automobile	13,616,492	13,389,219
Legal expense	(82,191)	603,300
Large loss fund (liability and automobile)	34,000,000	34,000,000
	$ 110,484,460	$ 131,312,786

13. CAPITAL MANAGEMENT:

Capital is comprised of the Exchange's Guarantee Fund. As at December 31, 2022, the Exchange's Guarantee Fund was $110,484,460 (2022 - $115,621,148). The Exchange's objectives when managing the capital are to maintain financial strength and protect its claims paying abilities. Senior executive management works with the actuary to develop the capital strategy and targets for each line of business. The Large Loss Fund of $34,000,000 provides assurance to the members that funds are available to cover large Liability or Auto losses. The Property capital target is set based on the self-retention of the reinsurance policy.

Distribution of excess capital back to members is evaluated by the actuary and senior executive management on an annual basis, and any distributions are made based on the determinations of the Actuary and in accordance with OSBIE's capital management policy. The Exchange can build its capital through member contributions directly to the surplus account of the Exchange.

The minimum capital levels for the Exchange are monitored by their regulator FSRA.

14. PERSONNEL EXPENSES:

	2023	2022
Salaries and statutory contributions	$ 3,001,332	$ 3,124,753
Benefits	607,185	513,324
	$ 3,608,517	$ 3,638,077

15. FINANCIAL ASSETS AND LIABILITIES:

The following table presents financial assets and liabilities that the Exchange expects to recover or settle in 12 months or more:

	2023	2022
Investments	$ 150,067,079	$ 110,685,905
Reinsurance contract assets	500,000	579,000
Loan receivable	379,162	400,114
Total assets	$ 150,946,241	$ 111,665,019
Insurance contract liabilities	$ 71,855,952	$ 75,508,276
Total liabilities	$ 71,855,952	$ 75,508,276

16. RELATED PARTIES:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Exchange, directly or indirectly, including the Board of Directors of the Exchange.

Effective January 1, 2022, the Board of Directors introduced an annual and meeting honorarium to recognize the substantial time and commitment in service to the Exchange. The annual expense for 14 directors in 2023 was $107,000 (2022 - $92,000).

Compensation expenses related to key management personnel consisted of $976,443 (2022 - $1,429,351) related to salaries and other short-term employee benefits. No other benefits were paid.

OSBIE

1-800-668-6724

osbie.on.ca

91 Westmount Road
Guelph, ON, N1H 5J2