



ANNUAL REPORT

ROOTED IN COMMUNITY.
FOCUSED ON THE FUTURE.

Leadership Insights:

A Message from Our Board Chair

On behalf of the Board of Directors, I am pleased to share the Annual Report with the members of Trillium Mutual Insurance Company ahead of our Annual Meeting of members. **As a mutual insurance company, we exist for one reason - to serve our members.** That purpose guides every decision made by your Board, Leadership team and employees. We are accountable to you and that responsibility is one we take very seriously.

Reflecting on the past year, it has been a demanding one for the industry and our Company. We continue to face pressures from climate-related losses, fires, rising claims costs, consolidations, regulations, and economic uncertainty. These challenges are not abstract—they affect how we price risk and how we develop strategy to ensure long-term sustainability.

Against this backdrop, I am proud to say that **we remained financially sound, operationally disciplined, and firmly focused on member service** during the past year. The company continued to demonstrate resilience, prudent risk management, and a long-term strategic view of sustainability - qualities that define an exceptional, best in class mutual insurer.

The Board's role is not to manage day-to-day operations, but to provide independent oversight and accountability. **We continue to work collaboratively with leadership while maintaining the governance discipline expected by regulators and you, our members.** Throughout the year, the Board remained focused on organizational performance and succession, while providing a keen oversight of the company's strategy and long-term sustainability.

Key priorities included focus on our financial strength and capital adequacy through diligent refinement of our investment portfolio, along with robust risk management and reinsurance strategies. In addition, the Board continued to emphasize strong regulatory compliance and governance best practices.



Pat Bushby
Board Chair

- A collaborative 2027 strategic plan focused on sustainability
- Protecting the financial strength and sustainability of the company
- Delivering strong organizational oversight and governance
- Preserving the mutual values that define Trillium Mutual

We continue to balance prudence with progress, guided by our long-term obligation to members. I would like to extend sincere appreciation for all the hard work that our CEO and employees delivered during the year. Their professionalism, dedication, and commitment to service are evident in our results and in the experiences of our membership. **In an industry facing constant change, it is the quality of people that makes the difference.** On behalf of the Board, thank you for ensuring the success and sustainability of the Company and with you our future is bright!

Thank you to our members for your confidence. We invite you to attend our AGM on March 24th, 2026. Your participation is an important part of the mutual model through engagement. We appreciate your continued support and look forward to another successful year working together.

Leadership Insights:

A Message from Our President & CEO

As I reflect on 2025, **I am deeply proud of the continued strength, resilience, and community focus that defines Trillium Mutual Insurance.** This year we responded to challenging weather-related losses due to ice & snow build up as well as fire losses. This heightened claim activity allowed us to showcase the very best of **who we are—an organization committed to service excellence, and the long-term well-being of the rural communities we were built to serve. Financially, 2025 was a year of steady, disciplined growth.** Gross premiums written rose by 4.14% year-over-year or nearly \$4million in revenues, demonstrating the stability of our core farm and rural portfolios and the effectiveness of our distribution partnerships. Our final 2025 net income reached \$3.3 million, bolstered by strong investment income.

Our claims ratio was challenged in 2025 resulting in poor overall underwriting performance. Our year end partially discounted combined ratio was 104.31%. As a Mutual, supporting our members in times of need remains our top priority. In 2025 we were able to support many policyholders through our outstanding claims service maintaining an exceptional customer satisfaction rating of 95%. Despite the significant payments, **we added to our strong surplus level, ensuring we continue to deliver on our promise of protection for generations to come.**

Operationally, our teams continued to execute against strategic priorities with discipline and focus. Adoption of risk management through electrical monitoring in agricultural buildings has increased, which is an achievement our team is incredibly proud of. We also advanced foundational operational improvements, including process and system refinement and efficiencies that help us to serve our members with greater accuracy, speed, and clarity.

2025 was a year of service to our communities and advocacy for the sector. We strengthened relationships across Ontario communities, participated actively in sector-wide initiatives, and engaged with government officials on issues impacting rural families—such as climate resilience, building codes, and economic pressures in agricultural regions.



Tracy MacDonald
President & CEO

These conversations reinforced the vital role that mutuals play in supporting local and protecting the fabric of small communities. We continue to invest in rural communities through our ROOTS Community Fund. **In 2025, Trillium gave back a total of \$378,369 through our ROOTS Council and our community support programs. The ROOTS Council delivered funding to 40 organizations across Ontario.**

We remain focused on supporting our members. Member retention is high, satisfaction remains strong, and our teams continues to deliver empathetic, timely support during moments of need. **I am profoundly grateful to our staff and brokers** for the professionalism, agility, and compassion they showed throughout the year.

As we look ahead, we do so from a position of confidence. The foundation we strengthened in 2025 equips us well for the opportunities before us in 2026. With a dedicated Board, staff, trusted partners, and the unwavering support of our membership, **Trillium Mutual will continue to lead with purpose and commitment** to the communities we are proud to serve.

We look forward to welcoming you to our AGM on March 24th at 10:30am. We will review our 2025 audited financial results and share our plans for the future of the organization.

During the information session of our meeting, we welcome remarks from Derry Wallis, Climate Change and Energy Specialist with the County of Huron. **Thank you for placing your trust in us.**

OUR PURPOSE



The Mutual Difference

- You own us—not distant shareholders.
- Our commitment is to you, not profits.
- We're your neighbours, here when you need us most.



The Trillium Difference

- Insurance that's clear, simple, and personal.
- More than just a policy—you gain a partner.
- We're here to help you and your community thrive.



Before you get lost in the financial reports, **take a quick detour below** to learn more about us and our past year!

Investing In Our Future



Over the past few years, Trillium Mutual has welcomed a number of talented young professionals through our **Next GAP (Generation of Agricultural Professionals)** initiative and the **University of Guelph's Co-op Program**. These students gain meaningful, hands-on experience while developing practical skills alongside our team.

Investing In Our Community

ROOTS COMMUNITY FUND



Inter Township Fire Department

"Thanks to ROOTS we now have access to **high-quality safety vests that enhance both visibility and protection**. These vests ensure our firefighters can carry out their duties more safely and effectively while serving our community. This grant makes a direct contribution to the wellbeing of our team & the safety of those we serve."

- Jeff Gautreau, Fire Chief

SCAN TO LEARN MORE



40

ORGANIZATIONS SUPPORTED

\$320,000

DONATED

STRENGTH IN NUMBERS

The strength of our organization is our people. Their commitment to our culture and to one another fosters connection and innovation. Creating a workplace where everyone feels valued and encouraged to grow alongside the communities we protect.

Staff Community Support

Each staff member receives a full day to volunteer with an organization of their choice. Staff choose organizations that have meaning to them and are local to their communities.

In 2025:

-  Trillium Mutual staff provided over 500 volunteer hours
-  Wellness In Action Team supported The North Perth Fire Department through a toy drive
-  The Sustainability committee hosted an impactful food drive & road side clean up



WE PROTECT



5236
Farm Policies



2584
Business Policies



9725
Vehicle Policies



7530
Home Policies



SUPPORTED BY:
15 Partners
179 Office Locations



collectiv**fide**
TRUST IS MUTUAL

Josslin Insurance
a Real Insurance broker



Orr
Insurance & Investment
You've Got Options





Real Communities. Real People. Real Stories.

The stories shared through our risk and claims experiences highlight what mutuality looks like in action.

These testimonials remind us that risk management and claims aren't just processes — they're moments where care, trust, and community support come together.

We have never had a car accident so we didn't have a clue what to expect, but I was so impressed with Trillium. **They were very efficient and were there every step of the way to help.** I would absolutely recommend trillium to anyone looking for insurance.

- Karen & Thomas

Their claims team provides excellent feedback, quick, easy communication & handles everything with ease taking away the guesswork. **We are very grateful to have our personal and professional insurance under Trillium.** We recommend you to everyone!

- Arlen

Great experience all around, the broker was quick to take care of everything, **the adjuster was professional and the payment came in very quickly,** great work!

- Geoff

This is my first claim and I found it seamless between the body shop, Trillium and the car rental company. **Thank you for making this unfortunate experience so easy to navigate.**

- Paul & Diane

I was so impressed with Trillium. They were very efficient and were there every step of the way to help. **I couldn't believe how quick we received our settlement!** I would absolutely recommend Trillium to anyone looking for insurance.

- Karen & Ryan

My experience was stress free in the accident claim and car repair process and **they were very quick to make things happen for me.**

- Andy & Martha

FINANCIAL PERFORMANCE SUMMARY

MCT SCORE

MCT of 407.27% as at Dec. 31, 2025.

CAPITAL

is in excess of the required regulatory minimum by more than 4 times.

INSURANCE REVENUE

\$99.1M for 2025
6.5% increase over 2024

SURPLUS

\$90.1M as of Dec 31, 2025
3.8% increase over 2024

COMPREHENSIVE INCOME

\$3.3M for 2025

GROSS PREMIUMS WRITTEN

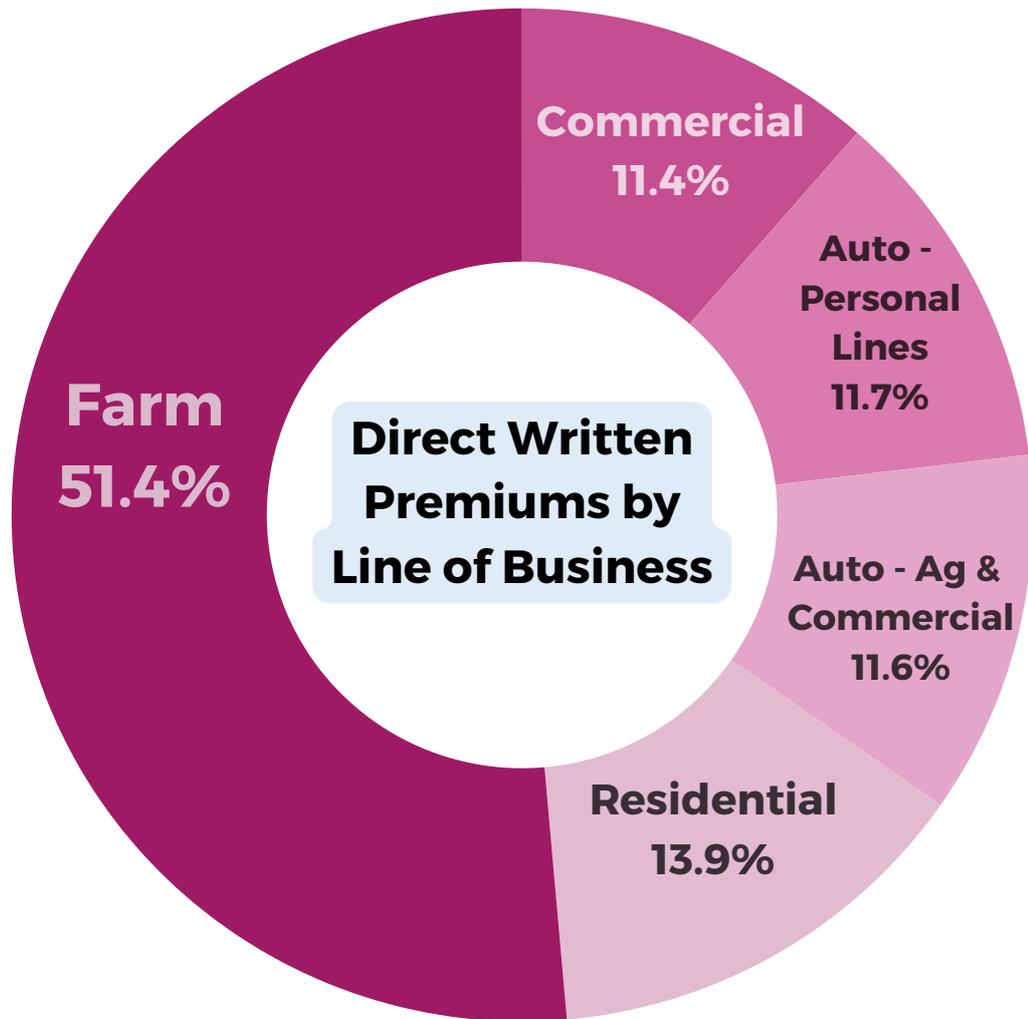
\$4.0M Increase
4.1% increase over 2024

INSURANCE SERVICE RESULT

\$4.8M for 2025

CAPITAL ADEQUACY

Strong capital adequacy as measured by both our Net Risk Ratio and Gross Risk Ratio



Consolidated Financial Statements of

**TRILLIUM MUTUAL
INSURANCE COMPANY**

And Independent Auditor's Report thereon

Year ended December 31, 2025



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Canada
Telephone 519 747 8800
Fax 519 747 8811

INDEPENDENT AUDITOR'S REPORT

To the Policyholders of Trillium Mutual Insurance Company

Opinion

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

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in policyholders' surplus for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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



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Other Information

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

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

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

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

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

February 20, 2026

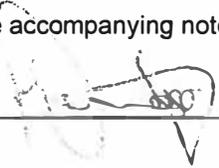
TRILLIUM MUTUAL INSURANCE COMPANY

Consolidated Statement of Financial Position

December 31, 2025 with comparative information for 2024

| | 2025 | 2024 |
|---|-----------------------|-----------------------|
| Assets | | |
| Cash | \$ 4,021,607 | \$ 17,795,811 |
| Invested assets (note 6) | 131,417,141 | 116,924,584 |
| Accrued Investment Income | — | 11,003 |
| Reinsurance contract assets (note 10) | 14,310,981 | 8,352,583 |
| Income taxes receivable | 1,734,539 | — |
| Other receivables | 11,639 | 512,505 |
| Prepaid expenses | 459,703 | 577,132 |
| Due from Auto Facility Association | 1,419,670 | 1,419,670 |
| Property and equipment (note 8) | 7,628,587 | 7,473,343 |
| Goodwill and intangible assets (note 9) | 1,893,412 | 2,923,401 |
| Total assets | \$ 162,897,279 | \$ 155,990,032 |
| Liabilities and Policyholders' Surplus | | |
| Accounts payable and accrued liabilities | \$ 1,376,781 | \$ 2,227,007 |
| Income taxes payable | — | 3,372,944 |
| Deferred income taxes (note 14) | 783,839 | 1,444,439 |
| Insurance contract liabilities (note 10) | 69,280,106 | 60,752,803 |
| Due to Auto Facility Association | 1,332,688 | 1,329,740 |
| Total liabilities | 72,773,414 | 69,126,933 |
| Policyholders' surplus | 90,123,865 | 86,863,099 |
| Total liabilities and policyholders' surplus | \$ 162,897,279 | \$ 155,990,032 |

See accompanying notes to consolidated financial statements.

 Director  Director

TRILLIUM MUTUAL INSURANCE COMPANY

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|--|---------------|---------------|
| Insurance revenue | \$ 99,144,932 | \$ 93,109,086 |
| Insurance service expense | (87,484,867) | (80,348,165) |
| Insurance service result before reinsurance contracts held | 11,660,065 | 12,760,921 |
| Net expense from reinsurance contracts held | (6,849,856) | (1,391,270) |
| Insurance service result | 4,810,209 | 11,369,651 |
| Investment income and expenses (note 7) | 9,890,484 | 10,849,788 |
| Finance expense from insurance contracts issued | (1,977,866) | (2,946,730) |
| Finance income from reinsurance contracts held | 238,829 | 865,900 |
| Net financial result | 8,151,447 | 8,768,958 |
| General and operating expenses | (8,348,319) | (8,172,491) |
| Other income | 72,168 | 89,480 |
| Comprehensive income before taxes and donations | 4,685,505 | 12,055,598 |
| Donations paid from ROOTS (note 17) | 378,369 | 310,567 |
| Income tax expense (note 15): | | |
| Current | 1,706,970 | 3,447,358 |
| Deferred | (660,600) | (509,324) |
| | 1,046,370 | 2,938,034 |
| Comprehensive income for the year | \$ 3,260,766 | \$ 8,806,997 |

See accompanying notes to the consolidated financial statements.

TRILLIUM MUTUAL INSURANCE COMPANY

Consolidated Statement of Changes in Policyholders' Surplus

For the year ended December 31, 2025, with comparative information for 2024

| December 31, 2025 | Appropriated surplus | Unappropriated surplus | Total |
|---|----------------------|------------------------|---------------|
| Balance, beginning of the year | \$ 417,606 | \$ 86,445,493 | \$ 86,863,099 |
| Comprehensive income (loss) for the year | (378,369) | 3,639,135 | 3,260,766 |
| Designated funds transferred to ROOTS (note 17) | 400,000 | (400,000) | – |
| Balance, end of year | \$ 439,237 | \$ 89,684,628 | \$ 90,123,865 |

| December 31, 2024 | Appropriated surplus | Unappropriated surplus | Total |
|---|----------------------|------------------------|---------------|
| Balance, beginning of the year | \$ 328,173 | \$ 77,727,929 | \$ 78,056,102 |
| Comprehensive income (loss) for the year | (310,567) | 9,117,564 | 8,806,997 |
| Designated funds transferred to ROOTS (note 17) | 400,000 | (400,000) | – |
| Balance, end of year | \$ 417,606 | \$ 86,445,493 | \$ 86,863,099 |

See accompanying notes to the consolidated financial statements.

TRILLIUM MUTUAL INSURANCE COMPANY

Consolidated Statement of Cash Flows

For the year ended December 31, 2025, with comparative information for 2024

| | 2025 | 2024 |
|--|--------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Comprehensive income | \$ 3,260,766 | \$ 8,806,997 |
| Items not involving cash: | | |
| Amortization of intangible assets and property, plant, and equipment | 1,950,590 | 1,809,756 |
| Interest, dividends and pooled fund distributions | (8,195,154) | (7,807,658) |
| Provision for income taxes | 1,046,370 | 2,938,034 |
| Increase in market value of investments | 346,127 | (2,541,114) |
| Realized (gain) loss from disposal of investments | (2,557,927) | (936,578) |
| Realized (gain) loss from disposal of capital and intangible assets | (34,826) | (35,216) |
| | (7,444,820) | (6,572,776) |
| Changes in working capital: | | |
| Other receivables | 866 | (11,779) |
| Prepays | 117,429 | 738,443 |
| Accounts payable and other liabilities | (850,227) | (157,221) |
| Due to/from Auto Facility Association | 2,948 | (48,275) |
| Change in loans receivable | 500,000 | 800,000 |
| | (228,984) | 1,321,168 |
| Changes in insurance contract related balances: | | |
| Insurance and reinsurance contracts | 2,568,905 | 1,597,961 |
| | 2,568,905 | 1,597,961 |
| Cash flows related to interest, dividends and income taxes: | | |
| Interest and pooled fund distributions received | 8,195,154 | 7,807,658 |
| Income taxes paid | (6,814,453) | (71,369) |
| | 1,380,701 | 7,736,289 |
| Net cash from operating activities | (463,432) | 12,889,638 |
| Investing activities: | | |
| Purchase of investments | (28,829,616) | (13,790,401) |
| Proceeds on sale of investments | 16,548,859 | 6,621,634 |
| Proceeds on sale of property, equipment, and intangibles | 84,628 | 78,015 |
| Purchase of property, plant and equipment and intangibles | (1,125,646) | (1,054,743) |
| Other investment income (loss) | 11,003 | 9,025 |
| Net cash from (used in) investing activities | (13,310,772) | (8,136,470) |
| Increase (decrease) in cash | (13,774,204) | 4,753,168 |
| Cash, beginning of year | 17,795,811 | 13,042,643 |
| Cash, end of year | \$ 4,021,607 | \$ 17,795,811 |

See accompanying notes to the consolidated financial statement

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements

For the year ended December 31, 2025

1. Organization and nature of business:

Trillium Mutual Insurance Company (the "Company") was incorporated under the laws governed in Ontario and is subject to the Ontario Insurance Act. The Company is licensed to write accident and sickness, aircraft, automobile, boiler and machinery, fidelity, hail, liability and property insurance in Ontario. The Company's head office is located at 495 Mitchell Road South in Listowel, Ontario.

The Company is subject to rate regulation on the automobile business that it writes. Before automobile insurance rates can be changed, a rate filing is prepared as a combined filing for most Ontario Farm Mutuals by the Ontario Mutual Insurance Association ("OMIA"). The rate filing must include actuarial justification for rate increases or decreases. All rate filings are approved or denied by the Financial Services Regulatory Authority of Ontario ("FSRA"). Rate regulation may affect the automobile premium revenues that are earned by the Company. The actual impact of rate regulation would depend on the competitive environment at the time.

2. Basis of presentation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on February 18, 2026.

(b) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis, except for the following items in the statement of financial position:

- financial assets classified as at fair value through profit or loss are measured at fair value
- insurance contract assets and liabilities which are measured using acceptable actuarial practices

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Except as otherwise indicated, all financial information presented is in Canadian dollars.

(d) Use of estimates and judgments:

The preparation of the consolidated 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, revenue and expenses. Actual results may differ from those estimates.

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

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

2. Basis of presentation (continued):

(e) Statement of financial position:

The Company presents its consolidated statement of financial position broadly in order of liquidity.

3. Material accounting policies:

(a) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are wholly-owned and controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The consolidated financial statements include all financial operations of Trillium Mutual Insurance Company, 1792270 Ontario Inc. and Morris-Wagner Insurance Agency Ltd. 1792270 Ontario Inc. holds the real estate for the Company and operates out of the Listowel location.

(ii) Transactions eliminated on consolidation:

All intra-company balances and transactions, including any unrealized revenue and expenses arising from intra-company transactions, are eliminated and non-controlling interest recognized in preparing these consolidated financial statements.

(b) Financial assets and liabilities:

(i) Financial assets:

Under IFRS 9 Financial Instruments ("IFRS 9"), the Company classifies its financial assets into the following categories:

- financial instruments mandatorily measured at fair value through profit or loss ("FVTPL");
- or,
- financial instruments measured at amortized cost.

The classification and measurement of debt instruments depends on the Company' business model for managing the financial assets to generate cash flows and whether the contractual cash flows represent solely payment of principal and interest ("SPPI").

Equity investments are required to be measured at FVTPL, except where the Company has elected at initial recognition to irrevocably designate an equity instrument, held for purposes other than trading, at fair value through other comprehensive income ("FVOCI"). No such election has been made by the Company.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued):

(i) Financial assets:

i. Financial instruments mandatorily measured at FVTPL

Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a managed portfolio with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at FVTPL if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis.

Trading and non-trading financial instruments mandatorily measured at FVTPL are remeasured at fair value as at the statement of financial position date. Gains and losses realized on disposition, unrealized gains and losses from changes in fair value and investment income are included in profit and loss. Transaction costs are expensed as incurred. Dividends are recognized on the ex-dividend date and interest is recognized on an accrual basis. Both dividends and interest are included in interest income.

Financial instruments mandatorily measured at FVTPL comprise the Company's bonds, equities, and pooled fund instruments.

ii. Financial instruments measured at amortized cost

Under IFRS 9, financial instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for expected credit losses ("ECL"). Interest income from these financial instruments is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive (loss) income and equity.

Financial instruments measured at amortized cost comprise receivables arising from other receivables. Due to the short-term nature of these financial instruments, carrying value is considered to approximate fair value.

(ii) Financial liabilities:

Financial liabilities are recognized initially at fair value. The fair value on initial recognition is the fair value of the consideration received. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest rate method.

Financial liabilities comprise payables arising from insurance contracts, and trade payables and accrued liabilities. Due to the short-term nature of payables, carrying value is considered to approximate fair value.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

(b) Financial assets and liabilities (continued):

(iii) Fair value:

The fair value of a financial instrument on initial recognition is defined as the fair value of the consideration given. Subsequent to initial recognition, fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act.

Fair value is best evidenced by quoted bid or ask price, as appropriate, in an active market. Where bid or ask prices are not available, such as in an illiquid or inactive market, the closing price of the most recent transaction of that instrument subject to appropriate adjustments as required is used. Where quoted market prices are not available, the quoted prices of similar financial instruments or valuation models with observable market based inputs are used to estimate the fair value. These valuation models may use multiple observable market inputs, including observable interest rates, foreign exchange rates, index levels, credit spreads, equity prices, counterparty credit quality, and corresponding market volatility levels. Minimal management judgment is required for fair values calculated using quoted market prices or observable market inputs for models. The calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The Company uses the services of external security pricing vendors to obtain estimated fair values of securities in its investment portfolio. Fair values of pooled funds and mutual funds are based on the quoted market values of the underlying investments.

(iv) Investment income:

Dividends on equity investments are recognized when the Company's right to receive payment is established, which is the ex-dividend date, and are reported as dividends in investment income.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

(c) Property and equipment:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, with the exception of land which is not depreciated. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is recognized in comprehensive income on a straight-line basis over the estimated useful life of the assets at the following annual rates:

| | |
|------------------------|--------------|
| Buildings | 40 years |
| Computer hardware | 4 years |
| Furniture and fixtures | 4 to 5 years |
| Vehicles | 4 years |

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if necessary.

(d) Intangible assets:

Intangible assets consist of computer software, which are not integral to the computer hardware owned by the Company, developed software, customer lists and goodwill.

Computer software is initially recorded at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Software is amortized on a straight basis over its estimated useful life of 4 years.

Developed software relates to the cost of developing new products. These costs are capitalized and amortized over the expected useful life of the software.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

(e) Impairment:

(i) Financial assets:

A financial asset not carried at FVTPL is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets not classified as FVTPL. The Company 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 recognized is the 12-month ECL.

The Company 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.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

(e) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting period 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.

Impairment losses are recognized in profit or loss. 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 pre-tax 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.

In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Income taxes:

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

The Company follows the asset and liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

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

(g) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Statement of comprehensive income (loss) items are translated at actual rates in effect at the time of the transactions. Translation gains and losses are included in current income.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

(h) Insurance and reinsurance contracts accounting treatment:

(i) Insurance and reinsurance contracts accounting classification:

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company 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 Company issues property and casualty insurance to individuals and businesses, which includes property, liability, and auto. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Company also hold reinsurance contracts with a reinsurance company under which it is reimbursed for claim amounts arising from one or more insurance contracts that are over the Company's retention.

(ii) Separating components from insurance and reinsurance contracts:

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

Currently, the Company'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 Company previously applied aggregation levels, which were higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. No group 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 Company 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 Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

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

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

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

(iii) Levels of aggregation:

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

(iv) Recognition:

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

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

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

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

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

(vi) Measurement – Premium Allocation Approach (“PAA”):

| | <i>IFRS 17 Options</i> | <i>Adopted approach</i> |
|--|--|--|
| Premium Allocation Approach Eligibility | Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model. | The coverage period for all insurance contracts is one year or less and so qualify automatically for PAA. The Company has elected to adopt the PAA. |
| Insurance acquisition cash flows for insurance contracts issued | Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed 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. | Insurance acquisition cash flows are allocated to related groups of insurance contracts and are amortized over the coverage period of the related group. |
| Liability for Remaining Coverage (“LFRC”), adjusted for financial risk and 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. |
| Liability for Incurred Claims, (“LFIC”) adjusted for 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 |
| 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. |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

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

(vii) Insurance contracts – initial measurement:

The Company applies the 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 Company measures the liability for remaining coverage as:

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

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company 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 Company recognizes 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 Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

(viii) Reinsurance contracts held– initial measurement:

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues (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 Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognized 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.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

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

(ix) Insurance contracts - subsequent measurement:

The Company 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 insurance acquisition cash flows;
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognized as an expense in the reporting period for the group;
- Minus the amount recognized as insurance revenue for the services provided in the period.

The Company 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 Company 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 Company recognizes 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 Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance service expense).

(x) Reinsurance contracts - 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 Company has established a loss-recovery component, the Company 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.

(xi) Insurance acquisition cash flows:

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

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

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

(xi) Insurance acquisition cash flows (continued):

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognized in the statement of financial position, a separate asset for insurance acquisition cash flows is recognized for each related group.

(xii) Insurance contracts – modification and derecognition:

The Company derecognizes 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 Company derecognizes the initial contract and recognizes the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

(xiii) Presentation:

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

(xiv) Insurance revenue:

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

The Company 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 recognized on the basis of the passage of time.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

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

(xv) Loss components:

The Company 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 Company 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.

(xvi) Loss-recovery components:

As described in note 3(h)(xv) above, where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses. A loss-recovery component is subsequently reduced 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.

(xvii) Insurance finance income and expense:

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

(xviii) Net income or expense from reinsurance contracts held:

The Company does not separately present on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

3. Material accounting policies (continued):

(i) Accounting standards issued but not yet applied:

(a) IFRS 18 Presentation and Disclosures in Financial Statements:

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

Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a new-defined operating profit sub-total. The Entity's new profit will not change.

Management defined performance measurers ("MPMs") are disclosed in a single note in the financial statements.

Enhanced guidance is provided on how to group information in the financial statements.

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

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

(b) IFRS 9 and IFRS 7 Amendments, Classification and Measurement of Financial Instruments

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

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

4. Accounting estimates and judgements:

The Company 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.

The effect of a change in an accounting estimate is recognized in income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

(a) Significant judgements:

Information about judgements 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:

- (i) Classification of insurance and reinsurance contracts. Assessing whether the contract transfers significant insurance risk. See note 3(h)(i).
- (ii) 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 3(h)(iv).
- (iii) 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 3(b)(iii)(d).
- (iv) 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 3(b)(i)(ii).
- (v) The classification of financial assets as FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.

(b) Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The Company consolidates information and does not provide a separate breakdown for its major product lines; instead, it presents them as a unified portfolio.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

4. Accounting estimates and judgements (continued):

(b) Estimates and assumptions (continued):

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:

- i) Measurement of the fair value of financial instruments with significant unobservable inputs. See note 6(b).
- ii) Impairment of financial assets. Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- iii) Insurance and reinsurance contracts:

The Company applies the PAA to simplify the measurement of insurance contracts.

a) *Liability for remaining coverage*

i. *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 recognized on underlying contracts and the recovery expected on such claims from reinsurance contracts held.

ii. *Time value of money:*

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

b) *Liability for incurred claims:*

The Appointed Actuary is appointed by the Board of Directors of the Company. With respect to preparation of these financial statements, the Appointed Actuary is required to carry out a valuation of the outstanding claims and to provide an opinion to the Company's policyholders regarding their appropriateness at the reporting date. The factors and techniques used in the valuation are in accordance with accepted actuarial practice, applicable legislation and associated regulations.

c) *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 highly liquid AAA rated sovereign (Government of Canada) securities. The illiquidity premium is determined by reference to observable market rates.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

4. Accounting estimates and judgements (continued):

(b) Estimates and assumptions (continued):

iii) Insurance and reinsurance contracts (continued):

c) *Discount rates (continued):*

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

| | Within 1 year | 3 years | 5 years | 10 years |
|------|------------------|---------|---------|----------|
| 2025 | 2.33% | 2.75% | 3.11% | 3.94% |
| 2024 | 3.06% | 3.01% | 3.20% | 3.84% |

A sensitivity analysis of how the insurance liabilities respond to changes in the discount rates has been disclosed in note 10(c).

d) *Risk adjustment for non-financial risk:*

The risk adjustment for non-financial risk is the compensation that the Company 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 Company has estimated the risk adjustment using a Cost of Capital approach based on a target return on capital, reflecting the compensation required for non-financial risk. Through this evaluation of future cash flow distributions, the Company has determined that the required compensation is at the 60-70% confidence level. A sensitivity analysis of how the insurance liabilities respond to changes in the risk adjustments has been disclosed.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

5. Role of the actuary and auditors:

With respect to preparation of consolidated financial statements, the actuary is required to carry out a valuation of the Company's policy liabilities and report thereon to the shareholder. Policy liabilities consist of liabilities for remaining coverage and liabilities for incurred claims and the reinsurance recoveries in accordance with Canadian accepted actuarial practice as well as any other matter specified in any direction that may be made by regulatory authorities. In performing the valuation of the liabilities, which are by their nature inherently variable, assumptions are made as to the rates of claims frequency and severity, inflation, reinsurance recoveries and expenses, taking into consideration the circumstances of the Company and the nature of the insurance policies in force. The actuary, in verifying the management information provided by the Company used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of his work and opinion.

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

6. Investments:

(a) Fair value:

The fair values of investments are summarized as follows:

| | 2025 | 2024 |
|------------------------------------|----------------|----------------|
| Pooled funds | | |
| Canadian fixed income | \$ 84,431,582 | \$ 86,087,817 |
| Canadian equities | 10,845,874 | 8,770,805 |
| Commercial mortgages | 6,696,615 | – |
| Global equities | 20,536,070 | 17,939,271 |
| Real estate | 6,444,610 | 3,650,058 |
| | 128,954,751 | 116,447,951 |
| Other investments | | |
| Fire Mutuals guarantee fund | 127,527 | 126,633 |
| Collectivfide Insurance Group Inc. | 2,334,863 | 350,000 |
| | 2,462,390 | 476,633 |
| | \$ 131,417,141 | \$ 116,924,584 |

Fair values have been determined on the basis described in note 6(b).

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

For the year ended December 31, 2025

6. Investments (continued):

(b) Fair value hierarchy:

The Company uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The extent of the Company'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 follows:

| 2025 | | Level 1 | Level 2 | Level 3 | Total |
|-------------------|-----------|----------|-----------------------|----------------------|-----------------------|
| Pooled funds | \$ | – | \$ 115,813,526 | \$ 13,141,225 | \$ 128,954,751 |
| Other investments | | – | 127,527 | 2,334,863 | 2,462,390 |
| Total | \$ | – | \$ 115,941,053 | \$ 15,476,088 | \$ 131,417,141 |

| 2024 | | Level 1 | Level 2 | Level 3 | Total |
|-------------------|-----------|----------|-----------------------|---------------------|-----------------------|
| Pooled funds | \$ | – | \$ 112,797,893 | \$ 3,650,058 | \$ 116,447,951 |
| Other investments | | – | 126,633 | 350,000 | 476,633 |
| Total | \$ | – | \$ 112,924,526 | \$ 4,000,058 | \$ 116,924,584 |

There were no transfers between any levels of the fair value hierarchy for the years ended December 31, 2025 and 2024.

The Collectivfide Insurance Group Inc. investment is recorded at fair value and is not traded on an open market. It is equity in a Canadian private company. The fair value of this investment is based on valuation techniques that include inputs that are not based on observable market data (unobservable inputs). Therefore, it is classified as Level 3.

7. Investment income:

| | 2025 | 2024 |
|--|---------------------|----------------------|
| Interest income | \$ 409,151 | \$ 633,666 |
| Realized gains (losses) on disposal of investments | 2,557,927 | 936,577 |
| Pooled fund distributions | 7,787,688 | 7,173,991 |
| Increase in market value of investments | (346,127) | 2,541,116 |
| Investment expenses | (518,155) | (435,562) |
| Total investment income | \$ 9,890,484 | \$ 10,849,788 |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements

Year ended December 31, 2025

8. Property, plant and equipment:

| | Land | Buildings | Computer hardware | Furniture and fixtures | Vehicles | Total |
|---------------------------------|--------------|--------------|-------------------|------------------------|------------|--------------|
| Cost or deemed cost | | | | | | |
| Balance, December 31, 2024 | \$ 1,004,360 | 6,647,152 | 1,855,410 | 1,248,329 | 356,305 | 11,111,556 |
| Additions | – | 67,581 | 91,815 | 431,728 | 162,852 | 753,976 |
| Disposals | – | – | (723,700) | (11,268) | (157,625) | (892,593) |
| Balance, December 31, 2025 | 1,004,360 | 6,714,733 | 1,223,525 | 1,668,789 | 361,532 | 10,972,939 |
| Accumulated depreciation | | | | | | |
| Balance, December 31, 2024 | \$ – | 1,246,720 | 1,320,545 | 829,801 | 241,147 | 3,638,213 |
| Depreciation expense | – | 92,024 | 248,222 | 153,401 | 55,284 | 548,931 |
| Disposals | – | – | (710,134) | (11,268) | (121,390) | (842,792) |
| Balance, December 31, 2025 | – | 1,338,744 | 858,633 | 971,934 | 175,041 | 3,344,352 |
| Net book value | | | | | | |
| Balance, December 31, 2024 | \$ 1,004,360 | \$ 5,400,432 | \$ 534,865 | \$ 418,528 | \$ 115,158 | \$ 7,473,343 |
| Balance, December 31, 2025 | \$ 1,004,360 | \$ 5,375,989 | \$ 364,892 | \$ 696,855 | \$ 186,491 | \$ 7,628,587 |

Depreciation of property and equipment included in operating expenses amounted to \$548,931 in 2025 (2024 - \$442,555).

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements

Year ended December 31, 2025

9. Intangible assets:

| | Computer Software | Goodwill | Customer Lists | Total |
|-----------------------------------|----------------------|------------|-------------------|--------------|
| Cost or deemed cost | | | | |
| Balance, December 31, 2024 | \$ 5,654,466 | 680,695 | 610,695 | 6,945,856 |
| Additions | 371,670 | – | – | 371,670 |
| Disposals | (175,807) | – | – | (175,807) |
| Balance, December 31, 2025 | 5,850,329 | 680,695 | 610,695 | 7,141,719 |
| Accumulated depreciation | | | | |
| Balance, December 31, 2024 | \$ 3,411,760 | – | 610,695 | 4,022,455 |
| Amortization expense for the year | 1,401,659 | – | – | 1,401,659 |
| Disposals | (175,807) | – | – | (175,807) |
| Balance, December 31, 2025 | 4,637,612 | – | 610,695 | 5,248,307 |
| Net book value | | | | |
| Balance, December 31, 2024 | \$ 2,242,706 | \$ 680,695 | \$ – | \$ 2,923,401 |
| Balance, December 31, 2025 | \$ 1,212,717 | \$ 680,695 | \$ – | \$ 1,893,412 |

Amortization of intangible assets included in operating expenses amounted to \$1,401,659 in 2025 (2024 - \$1,367,201).

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Insurance and reinsurance contracts (continued):

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

The Company provides disclosure for its entire portfolio on an overall basis without further disaggregating information based on major product lines.

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|---|------------------------------------|-------------------|---------------------------------|---------------------|----------------------|
| | Excluding loss component | Loss component | Estimates of PVFCF | Risk adjustments | |
| 2025 | | | | | |
| Insurance contract liabilities, beginning of year | \$ 9,922,549 | \$ 371,316 | \$ 48,838,298 | \$ 1,620,640 | \$ 60,752,803 |
| Insurance revenue | (99,144,932) | – | – | – | (99,144,932) |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expense | – | (371,316) | 64,156,181 | 784,757 | 64,569,622 |
| Insurance acquisition cash flows amortisation | 28,390,891 | – | – | – | 28,390,891 |
| Losses on onerous contracts and reversals of those losses | – | 333,321 | – | – | 333,321 |
| Changes that relate to past service – adjustments to the LIC | – | – | (5,017,787) | (791,181) | (5,808,968) |
| Insurance service result | (70,754,041) | (37,995) | 59,138,394 | (6,424) | (11,660,066) |
| Insurance finance expenses | – | – | 1,977,865 | – | 1,977,865 |
| Total changes in the statement of comprehensive income | (70,754,041) | (37,995) | 61,116,259 | (6,424) | (9,682,201) |
| Cash flows | | | | | |
| Premiums received | 101,053,695 | – | – | – | 101,053,695 |
| Claims and other directly attributable expenses paid | – | – | (54,299,887) | – | (54,299,887) |
| Insurance acquisition cash flows | (28,544,304) | – | – | – | (28,544,304) |
| Total cash flows | 72,509,391 | – | (54,299,887) | – | 18,209,504 |
| Net balance liability, end of year | \$ 11,677,899 | \$ 333,321 | \$ 55,654,670 | \$ 1,614,216 | \$ 69,280,106 |

* PVFCF refers to present value of future cash flows

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Insurance and reinsurance contracts (continued):

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

The Company provides disclosure for its entire portfolio on an overall basis without further disaggregating information based on major product lines.

| | Liabilities for remaining coverage | | Liabilities for incurred claims | | Total |
|---|------------------------------------|-------------------|---------------------------------|---------------------|----------------------|
| | Excluding loss component | Loss component | Estimates of PVFCF | Risk adjustments | |
| 2024 | | | | | |
| Insurance contract liabilities, beginning of year | \$ 9,497,110 | \$ – | \$ 50,645,311 | \$ 1,652,786 | \$ 61,795,207 |
| Insurance revenue | (93,109,086) | – | – | – | (93,109,086) |
| Insurance service expenses | | | | | |
| Incurred claims and other directly attributable expense | – | – | 60,003,850 | 796,258 | 60,800,108 |
| Insurance acquisition cash flows amortisation | 27,249,254 | – | – | – | 27,249,254 |
| Losses on onerous contracts and reversals of those losses | – | 371,316 | – | – | 371,316 |
| Changes that relate to past service – adjustments to the LIC | – | – | (7,244,109) | (828,404) | (8,072,513) |
| Insurance service result | (65,859,832) | 371,316 | 52,759,741 | (32,146) | (12,760,921) |
| Insurance finance expenses | – | – | 2,946,730 | – | 2,946,730 |
| Total changes in the statement of comprehensive income | (65,859,832) | 371,316 | 55,706,471 | (32,146) | (9,814,191) |
| Cash flows | | | | | |
| Premiums received | 94,164,701 | – | – | – | 94,164,701 |
| Claims and other directly attributable expenses paid | – | – | (57,513,484) | – | (57,513,484) |
| Insurance acquisition cash flows | (27,879,430) | – | – | – | (27,879,430) |
| Total cash flows | 66,285,271 | – | (57,513,484) | – | 8,771,787 |
| Net balance liability, end of year | \$ 9,922,549 | \$ 371,316 | \$ 48,838,298 | \$ 1,620,640 | \$ 60,752,803 |

* PVFCF refers to present value of future cash flows

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Insurance and reinsurance contracts (continued):

(b) Roll forward of net asset or liability for reinsurance contracts:

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on insurance ceded to reinsurers is disclosed in the table below:

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | |
|---|---|-------------------------------|---------------------------------------|---------------------|----------------------|
| | Excluding loss recovery component | Loss recovery component | Estimates of PVFCF | Risk adjustments | Total |
| 2025 | | | | | |
| Reinsurance contract assets, beginning of year | \$ (1,527,371) | \$ — | \$ 9,682,032 | \$ 197,922 | \$ 8,352,583 |
| An allocation of reinsurance premiums | (17,054,000) | — | — | — | (17,054,000) |
| Amounts recoverable from reinsurers for incurred claim | | | | | |
| Amounts recoverable for claims and other expense | — | — | 10,196,960 | (986) | 10,195,974 |
| Changes to amounts recoverable for incurred claim | — | — | 251,096 | (242,926) | 8,170 |
| Net income/expense from reinsurance contracts held | (17,054,000) | — | 10,448,056 | (243,912) | (6,849,856) |
| Reinsurance finance income | — | — | 238,829 | — | 238,829 |
| Total changes in the statement of comprehensive income | (17,054,000) | — | 10,686,885 | (243,912) | (6,611,027) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 17,253,117 | — | — | — | 17,253,117 |
| Amounts received | — | — | (4,683,692) | — | (4,683,692) |
| Total cash flows | 17,253,117 | — | (4,683,692) | — | 12,569,425 |
| Net balance asset, end of year | \$ (1,328,254) | \$ — | \$ 15,685,225 | \$ (45,990) | \$ 14,310,981 |

* PVFCF refers to present value of future cash flows

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Insurance and reinsurance contracts (continued):

(b) Roll forward of net asset or liability for reinsurance contracts (continued):

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on insurance ceded to reinsurers is disclosed in the table below:

| | Assets for remaining coverage | | Assets recoverable on incurred claims | | |
|---|---|-------------------------------|---------------------------------------|---------------------|---------------------|
| | Excluding loss recovery component | Loss recovery component | Estimates of PVFCF | Risk adjustments | Total |
| 2024 | | | | | |
| Reinsurance contract assets, beginning of year | \$ (1,429,168) | \$ — | \$ 12,151,861 | \$ 270,255 | \$ 10,992,948 |
| An allocation of reinsurance premiums | (16,032,117) | — | — | — | (16,032,117) |
| Amounts recoverable from reinsurers for incurred claim | | | | | |
| Amounts recoverable for claims and other expense | — | — | 19,191,222 | 176,350 | 19,367,572 |
| Changes to amounts recoverable for incurred claim | — | — | (4,478,042) | (248,683) | (4,726,725) |
| Net income/expense from reinsurance contracts held | (16,032,117) | — | 14,713,180 | (72,333) | (1,391,270) |
| Reinsurance finance income | — | — | 865,900 | — | 865,900 |
| Total changes in the statement of comprehensive income | (16,032,117) | — | 15,579,080 | (72,333) | (525,370) |
| Cash flows | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | 15,933,914 | — | — | — | 15,933,914 |
| Amounts received | — | — | (18,048,909) | — | (18,048,909) |
| Total cash flows | 15,933,914 | — | (18,048,909) | — | (2,114,995) |
| Net balance asset, end of year | \$ (1,527,371) | \$ — | \$ 9,682,032 | \$ 197,922 | \$ 8,352,583 |

* PVFCF refers to present value of future cash flows

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements

Year ended December 31, 2025

10. Insurance and reinsurance contracts (continued):

(c) Liability for incurred claims:

The liability for incurred claims represents the expected fulfilment cash flows related to incurred claims, reflecting current estimates from the perspective of the Company and includes an explicit adjustment for non-financial risk (the risk adjustment).

(i) Methodology and assumptions:

Determining the liability for incurred claims and the related asset for incurred claims involves an assessment of the future development of claims. The liability for incurred claims is determined using a range of accepted actuarial claims projection techniques determined based on the line of business. The key assumption in developing these estimates is that claims recorded to date will continue to develop in a similar manner in the future. Other factors include changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Company's claims personnel and independent adjusters retained to handle individual claims, the effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions, economic conditions and public attitudes.

The liability for incurred claims includes salvage and subrogation and excludes reinsurance recoveries. The actuarially determined carrying value of liability for incurred claims is considered an indicator of fair value, as there is no ready market for the trading of insurance policy liabilities.

The Company must participate in industry automobile residual pools of business and recognizes a share of this business based on its automobile market share. The Company records its share of the liabilities provided by the actuaries of the pools.

Under Canadian accepted actuarial practice, the appropriate amount representing future obligations is defined as policy liabilities, which takes into consideration the time value of money and includes risk adjustment. Consequently, the liability for incurred claims and related asset for incurred claims have been recorded on a discounted basis. The discount rates used in the December 31, 2025 valuation are set out in note 4(b)(iii)(c).

Future changes in the discount rate could change the value of these claims. A 1% increase in this rate would decrease claims liabilities by \$656,000 (2024 - \$651,000), while a 1% decrease in this rate would increase claims liabilities by \$678,000 (2024 - \$675,000).

(ii) Changes in assumptions:

The liability for incurred claims are estimates and, as such, are subject to variability, which could be material in the near term. Changes to the estimates could result from future events such as receiving additional claim information, changes in judicial interpretation of contracts or significant changes in severity or frequency of claims from past trends. In general, the longer the term required for the settlement of claims, the more variable the estimates. As additional experience and other data becomes available, the estimates could be revised. Any future changes in estimates would be reflected in the statement of income for the period in which the change occurred. The historical studies are regularly compared to current emerging experience so that adjustments may be made as necessary.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

10. Insurance and reinsurance contracts (continued):

(c) Liability for incurred claims (continued):

(ii) Changes in assumptions (continued):

The actual amount of ultimate claims can only be ascertained once all claims are closed. The effect of changes in assumptions is disclosed in note 11(a)(v) sensitivity analysis.

11. Insurance and financial risk management:

The Company's exposure to potential loss is primarily due to underwriting risk along with various market risks, including interest rate risk, liquidity risk, as well as credit risk.

(a) Insurance risk:

The Company's activities expose it to a variety of insurance and financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The following tables show the concentration of net insurance contract liabilities by type of contract:

| | 2025 | | | 2024 | | |
|--------------|---------------------|-------------------------------|---------------|---------------------|-------------------------------|---------------|
| | Insurance \$'000 | Reinsurance held \$'000 | Net \$'000 | Insurance \$'000 | Reinsurance held \$'000 | Net \$'000 |
| Automobile | 24,837 | 5,259 | 19,578 | 24,478 | 3,923 | 20,555 |
| Property | 23,529 | 9,708 | 14,128 | 13,603 | 4,673 | 8,930 |
| Liability | 5,648 | 658 | 4,990 | 9,002 | 250 | 8,752 |
| Total | 54,014 | 15,625 | 38,696 | 47,083 | 8,846 | 38,237 |

Insurance 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.

The Company's underwriting objective is to develop business within the target market on a prudent and diversified basis and to achieve profitable underwriting results.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

11. Insurance and financial risk management:

(a) Insurance risk (continued):

In Canada, automobile insurance premium rates, other than for fleet automobile, are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. Accordingly, a significant portion of the Company's revenue is subject to regulatory approval.

The business risk of insurance is primarily in pricing and underwriting the product, in managing investment funds, and in estimating and settling claims. To mitigate some of its risks, the Company purchases reinsurance to share part of the risk originally accepted in writing the policy. The Company cedes approximately 17% (2024 - 17%) of its insurance revenue with external reinsurers. The Company has established risk management policies and procedures to measure and control risk. These policies and procedures are reviewed periodically by senior management, the Board of Directors, external auditors and regulators.

(i) Pricing risk:

Pricing risk arises when actual claims experience differs from the assumptions included in pricing calculations. Historically, the insurance services results of the property and casualty industry have fluctuated significantly due to the cyclical nature 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. The Company's pricing process is designed to ensure an appropriate return on capital while also providing long-term rate stability. These factors are reviewed and adjusted regularly to ensure prices are responsive to the current environment and competitor behaviour.

(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.

Liabilities for incurred claims 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 claim 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.

Reserving risk is reduced through various internal and external control processes including minimum reserve standards, quality assurance reviews, monthly review, and legal counsel. The year-end liability for incurred claims is reviewed by an independent appointed actuary who reports on the adequacy of the reserves.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

11. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(iii) Regulatory risk:

Regulation covers a number of areas including solvency, change in control and capital movement limitations. The Company works closely with regulators and monitors regulatory developments to assess their potential impact on its ability to meet solvency and other requirements.

In Ontario, automobile insurance premium rates, other than for fleet automobile, are regulated by provincial government authorities. Regulation of premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. Regulatory approvals can limit or reduce premium rates that can be charged, or delay the implementation of changes in rates. Accordingly, a significant portion of the Company's revenue is subject to regulatory approvals.

(iv) 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 man-made 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 Company evaluates catastrophic events and assesses the probability of occurrence and magnitude of catastrophic events through various modeling techniques and through the aggregation of limits exposed. The Company's exposure to catastrophic loss is also managed through geographic and product diversification as well as through the use of reinsurance.

The Company reinsures claims from a single catastrophe when the sum exceeds \$4,000,000 (2024 - \$2,000,000) which amounts 4.44% (2024 - to 2.30%) of the Company's surplus. Reinsurance coverage risk arises because reinsurance terms, conditions and/or pricing may change on renewal, particularly following catastrophes.

(v) Sensitivities:

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following sensitivity analysis shows the impact on gross and net liabilities, profit before tax and equity for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

11. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(v) Sensitivities (continued):

| 2025 | | | | | |
|-------------------------------------|------------------------------------|---|--|--|--|
| | Change in assumptions \$'000 | Impact on profit before tax, gross of reinsuranc e \$'000 | Impact on profit before tax, net of reinsuranc e \$'000 | Impact on equity, gross of reinsurance \$'000 | Impact on equity, net of reinsurance \$'000 |
| Weighted average term to settlement | 1.267 | | | | |
| Expected loss | +5% | 899 | 663 | 661 | 487 |
| Inflation rate | +1% | 690 | 511 | 507 | 376 |
| Weighted average term to settlement | 1.267 | | | | |
| Expected loss | -5% | (900) | (665) | (662) | (489) |
| Inflation rate | -1% | (680) | (503) | (500) | (370) |
| 2024 | | | | | |
| | Change in assumptions \$'000 | Impact on profit before tax, gross of reinsuranc e \$'000 | Impact on profit before tax, net of reinsuranc e \$'000 | Impact on equity, gross of reinsurance \$'000 | Impact on equity, net of reinsurance \$'000 |
| Weighted average term to settlement | 1.625 | | | | |
| Expected loss | +5% | 833 | 695 | 612 | 511 |
| Inflation rate | +1% | 689 | 577 | 506 | 424 |
| Weighted average term to settlement | 1.625 | | | | |
| Expected loss | -5% | (834) | (693) | (613) | (509) |
| Inflation rate | -1% | (677) | (566) | (498) | (416) |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

11. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

(vi) Claims development:

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

In setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

| | 2025 | | | 2024 | | |
|--|--|------------------------------|-----------------|--|------------------------------|-----------------|
| | Estimates of the PVFCF \$'000 | Risk adjustment \$'000 | Total \$'000 | Estimates of the PVFCF \$'000 | Risk adjustment \$'000 | Total \$'000 |
| Total gross liabilities for incurred claims | 55,655 | 1,614 | 57,269 | 48,838 | 1,621 | 50,459 |
| Amounts recoverable from reinsurance | 15,685 | (46) | 15,639 | 9,682 | 198 | 9,880 |
| Total net liabilities for incurred claims | 39,970 | 1,660 | 41,630 | 39,156 | 1,423 | 40,579 |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

11. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

ii. *Claims development (continued):*

Gross undiscounted liabilities for incurred claims for 2025.

| Amounts in \$'000 | Before | | | | | | | | | | | |
|---|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| End of insured event year | 196,642 | 34,207 | 33,320 | 41,712 | 47,908 | 42,583 | 42,772 | 41,244 | 48,443 | 60,105 | 63,034 | |
| One year later | 191,588 | 31,191 | 32,508 | 40,650 | 48,049 | 41,250 | 41,613 | 40,183 | 48,069 | 57,261 | | |
| Two years later | 191,244 | 31,542 | 34,428 | 41,076 | 47,308 | 38,615 | 39,806 | 38,049 | 48,691 | | | |
| Three years later | 193,090 | 30,728 | 34,710 | 40,544 | 46,669 | 37,796 | 38,467 | 37,106 | | | | |
| Four years later | 193,070 | 30,118 | 34,817 | 29,923 | 46,188 | 36,715 | 37,935 | | | | | |
| Five years later | 192,210 | 29,977 | 33,874 | 39,924 | 44,857 | 36,306 | | | | | | |
| Six years later | 191,463 | 29,883 | 33,503 | 39,157 | 44,430 | | | | | | | |
| Seven years later | 191,205 | 29,793 | 33,331 | 38,831 | | | | | | | | |
| Eight years later | 190,944 | 29,793 | 33,265 | | | | | | | | | |
| Nine years later | 190,899 | 29,793 | | | | | | | | | | |
| Ten years later | 190,805 | | | | | | | | | | | |
| Gross estimates of the undiscounted amount of the claims | 190,805 | 29,793 | 33,265 | 38,831 | 44,430 | 36,306 | 37,935 | 37,106 | 48,691 | 57,261 | 63,034 | 617,457 |
| Cumulative payments to date | 190,805 | 29,793 | 33,193 | 38,492 | 43,429 | 35,642 | 36,728 | 35,083 | 43,061 | 45,041 | 33,830 | 565,097 |
| Gross undiscounted liabilities for incurred claims | - | - | 72 | 339 | 1,001 | 664 | 1,207 | 2,023 | 5,630 | 12,220 | 29,204 | 52,360 |
| Risk adjustment | | | | | | | | | | | | 1,614 |
| Effect of discounting | | | | | | | | | | | | (1,882) |
| Other attributable expenses | | | | | | | | | | | | 5,177 |
| Total liabilities for incurred claims | | | | | | | | | | | | 57,269 |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

11. Insurance and financial risk management (continued):

(a) Insurance risk (continued):

ii. *Claims development (continued):*

Net undiscounted liabilities for incurred claims for 2025.

| Amounts in \$'000 | Before | | | | | | | | | | | Total |
|---|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| End of insured event year | 162,831 | 27,447 | 28,900 | 36,242 | 38,517 | 34,938 | 35,148 | 34,779 | 40,196 | 40,519 | 52,773 | \$'000 |
| One year later | 160,518 | 25,506 | 29,129 | 35,350 | 38,158 | 34,028 | 33,100 | 34,591 | 39,997 | 37,741 | | |
| Two years later | 159,222 | 24,990 | 30,426 | 35,401 | 38,327 | 32,222 | 31,605 | 33,782 | 40,498 | | | |
| Three years later | 159,573 | 23,927 | 31,101 | 37,317 | 37,826 | 32,109 | 31,963 | 32,916 | | | | |
| Four years later | 158,845 | 23,748 | 32,635 | 37,347 | 37,312 | 31,862 | 31,264 | | | | | |
| Five years later | 158,141 | 23,780 | 31,914 | 37,397 | 36,736 | 31,383 | | | | | | |
| Six years later | 171,339 | 23,647 | 31,542 | 36,981 | 36,148 | | | | | | | |
| Seven years later | 166,980 | 23,569 | 31,478 | 36,687 | | | | | | | | |
| Eight years later | 166,705 | 23,557 | 31,412 | | | | | | | | | |
| Nine years later | 166,705 | 23,557 | | | | | | | | | | |
| Ten years later | 166,705 | | | | | | | | | | | |
| Gross estimates of the undiscounted amount of the claims | 166,705 | 23,557 | 31,412 | 36,687 | 36,148 | 31,383 | 31,264 | 32,916 | 40,498 | 37,741 | 52,773 | 521,084 |
| Cumulative payments to date | 166,705 | 23,557 | 31,340 | 36,349 | 36,009 | 30,827 | 30,260 | 31,259 | 35,900 | 29,691 | 32,666 | 484,563 |
| Net undiscounted liabilities for incurred claims | | | 72 | 338 | 139 | 556 | 1,004 | 1,657 | 4,598 | 8,050 | 20,107 | 36,521 |
| Risk adjustment | | | | | | | | | | | | 1,660 |
| Effect of discounting | | | | | | | | | | | | (1,407) |
| Other attributable expenses | | | | | | | | | | | | 4,856 |
| Net liabilities for incurred claims | | | | | | | | | | | | 41,630 |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

11. Insurance and financial risk management (continued):

(b) Financial risk management:

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's statement of financial position from events that have the potential to materially impair its financial strength.

Risks identified as potentially significant are managed through a combination of Board policy, management monitoring and other management practices. The Company's Investment Policy Statement establishes asset mix parameters and risk limits to help minimize undue exposure to these risks in the investment portfolio while attempting to maximize the long-term value of policyholders' surplus. The Investment Policy Statement is reviewed annually by the Audit Committee.

The Company has exposure to credit risk, liquidity risk and market risks from its use of financial instruments and its insurance contracts:

(i) Credit risk:

Credit risk is the risk of financial loss as the result of the Company's counterparties not being able to meet payment obligations as they become due. The Company's credit risk is concentrated in the bond portfolio. Unless otherwise stated, the Company's credit exposure is limited to the carrying amount of these assets.

j) Invested assets:

The Company is exposed to credit risk relating to its bond holdings in its investment portfolio. The Company's investment policy puts limits on the bond portfolio including portfolio composition limits, issuer type limits, bond quality limits, aggregate issuer limits, corporate sector limits and general guidelines for geographic exposure. All fixed income portfolios are measured for performance on a quarterly basis and monitored by management on a monthly basis.

The maximum exposure to investment credit risk is the carrying value of investments.

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

The following table shows fair value of rated investments (excluding cash and cash equivalents), accrued income and pooled funds, by the credit risk ratings of the issuer as at December 31, 2025.

| Credit rating | Credit risk | Fair value | % of total |
|---------------|-------------|----------------------|-------------|
| AAA | Low | \$ 22,935,218 | 25% |
| AA | Low | 29,447,272 | 32% |
| A | Low | 14,511,185 | 16% |
| BBB | Low | 10,833,533 | 12% |
| Not rated | Low | 13,400,982 | 15% |
| | | \$ 91,128,190 | 100% |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

11. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(i) Credit risk (continued):

ii. Reinsurance recoverable and receivable:

The Company relies on reinsurance to manage underwriting risk, however, reinsurance does not release the Company from its primary commitments to its policyholders. Therefore, the Company is exposed to the credit risk associated with the amounts ceded to reinsurers. Credit exposure on the Company's reinsurance recoverable and receivable balances exists at December 31, 2025 to the extent that any reinsurer may not be able or willing to reimburse the Company under the terms of the relevant reinsurance arrangements.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that the reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Reinsurance is placed with Farm Mutual Re, a Canadian registered reinsurer with a credit rating B++. Management monitors the creditworthiness of Farm Mutual Re by reviewing their annual financial statements and through ongoing communications. The reinsurance contract assets are in the amount of \$14,310,981 (2024 - \$8,352,583). Reinsurance treaties are reviewed annually by management prior to renewal of the reinsurance contract. At year end, the Company reviewed the amounts owing from its reinsurer and determined that no allowance is necessary. The Company's credit exposure to any one individual policyholder included in premiums receivable from policyholders is not material.

The Company follows a policy of underwriting and reinsuring contracts of insurance which, in the main, limit the liability of the Company to an amount on any one claim of \$1,000,000 (2024 - \$1,000,000) in the event of a property claim, an amount of \$1,500,000 (2024 - \$1,500,000) in the event of an automobile claim and 1,500,000 (2024 - \$1,500,000) in the event of a liability claim. The Company also obtains reinsurance which limits the Company's liability to \$4,000,000 (2024 - \$2,000,000) in the event of a series of claims arising out of a single occurrence. In addition, the Company has obtained stop loss reinsurance which limits the liability of all claims in a specific year to 80% (2024 - 80%) of gross net earned premiums.

(iii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company mitigates this risk by monitoring cash activities and expected outflows. The Company's current liabilities arise as claims are made. The Company does not have material liabilities that can be called unexpectedly at the demand of a lender or client. The Company has no material commitments for capital expenditures and there is no need for such expenditures in the normal course of business. Claim payments are funded by current operating cash flow including investment income.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

11. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(iii) Liquidity risk (continued):

The Company's investment policy requires a minimum of 2.5% up to a maximum of 10% of the Company's portfolio be held in cash and short-term investments, which mitigates liquidity risk. Short-term investments include treasury bills, commercial paper and term deposits with an original maturity of less than one year. The Company holds a portion of assets in liquid securities. At December 31, 2025, the Company has \$4,021,607 (2024 - \$17,795,811) of cash and cash equivalents.

The maturity profile of the Company's financial assets and financial liabilities (excluding equities which have no set maturity) are summarised in the following table. Maturity profile amounts are stated at the expected undiscounted cash flows (principal and interest) and are analysed by their expected payment dates.

| | 2025 | | | Total |
|--|-------------------|-------------------|---------------------|--------------------|
| | Within 1 year | 1 to 5 years | Over 5 years | |
| Financial assets | | | | |
| Cash and cash equivalents | 4,021,607 | – | – | 4,021,607 |
| Investments and accrued interest | 2,836,751 | 82,156,262 | 6,135,177 | 91,128,190 |
| Income taxes receivable | 1,734,539 | – | – | 1,734,539 |
| | 8,592,897 | 82,156,262 | 6,135,177 | 96,884,336 |
| Insurance assets | | | | |
| Reinsurance contract assets | 3,179,840 | 9,192,208 | 1,938,933 | 14,310,981 |
| | | | | |
| Total assets | 11,772,737 | 91,348,470 | 8,074,110 | 111,195,317 |
| Financial liabilities | | | | |
| Accounts payable and accrued liabilities | 1,376,781 | – | – | 1,376,781 |
| | 1,376,781 | – | – | 1,376,781 |
| Insurance liabilities | | | | |
| Insurance contract liabilities | 422,445 | 22,362,166 | 46,495,495 | 69,280,106 |
| | | | | |
| Total liabilities | 1,799,226 | 22,362,166 | 46,495,495 | 70,656,887 |
| | | | | |
| Net liquidity gap | 9,973,511 | 68,986,304 | (38,421,385) | 40,538,430 |
| | | | | |
| Cumulative liquidity gap | 9,973,512 | 78,959,815 | 40,538,430 | 40,538,430 |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

11. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(iv) 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.

The Company's investment policy operates within the guidelines of the Insurance Act. An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

Below is a discussion of the Company's primary market risk exposures and how those exposures are currently managed.

(v) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to interest rate risk through its interest-bearing investments.

Typically, investment income will be reduced during sustained periods of low interest rates but this will also create unrealized gains within the fixed income pooled funds. It will also create realized gains to be recognized in net income to the extent any fixed income pooled funds are sold during the period. The reverse is true during a sustained period of increasing interest rates.

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. However, because a significant portion of the Company's assets relate to its capital rather than liabilities, the value of its interest rate based assets exceeds its interest rate based liabilities. As a result, generally, the Company's investment income will move with interest rates over the medium to long-term with short-term interest rate fluctuations creating unrealized gains or losses in profit or loss.

Insurance finance income or expenses reflect changes in insurance contract liabilities valuations, driven by factors like discount rate adjustments and financial assumptions. These valuations, in turn, impact our financial results. Prudent risk management strategies ensure stability in financial performance, underscoring the crucial link between investment returns and our insurance business.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

11. Insurance and financial risk management (continued):

(b) Financial risk management (continued):

(c) Market risk (continued):

(i) Interest rate risk (continued):

| | Change in interest rate | Effect on Net profit \$'000 | Effect on Equity \$'000 | Effect on Net profit \$'000 | Effect on Equity \$'000 |
|--|----------------------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|
| Insurance and reinsurance contracts | +100 bps | (485) | (485) | (544) | (544) |
| Debt Instruments | +100 bps | (2,109) | (2,109) | (2,294) | (2,294) |
| Insurance and reinsurance contracts | -100 bps | 502 | 502 | 565 | 565 |
| Debt Instruments | -100 bps | 2,145 | 2,145 | 2,294 | 2,294 |

(ii) Equity market risk:

The Company is exposed to this risk through its equity holdings within its investment portfolio.

The Company's portfolio includes Canadian stocks with fair values that move with the Toronto Stock Exchange Composite Index. Economic trends, the political environment and other factors can positively and adversely impact the equity markets and consequently the value of equity investments the Company holds. The Company is exposed to equity risk, through its portfolio of stocks in listed companies. A 10% movement in the stock markets, with all other variables held constant, would have an estimated effect on the fair values of the Company's listed equities and income of \$2,680,525 (2024 - \$2,486,026).

The Company's investment policy limits investment in common shares to a maximum of 26% of the market value of the portfolio.

Equities are monitored by the Investment Committee and the Board of Directors and holdings are adjusted following each quarter when the investments are offside of the investment policy.

(iii) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. The Company's, currency risk is related to stock holdings which are limited to foreign equities in sectors which are not readily available in Canada. The Company limits its holdings in foreign equity to 19% of the total investment portfolio in accordance with its investment policy. Foreign currency changes are monitored by the Investment Committee and the Board of Directors and holdings are adjusted when offside of the investment policy.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

12. Related party transactions:

(a) Transactions with related parties:

From time to time, the Company enters into transactions in the normal course of business, which are measured at the exchange amounts, with related companies, directors and senior officers. All of these transactions (other than those disclosed) are recorded through the Company's statement of financial position and statement of comprehensive loss. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

(b) Key management personnel compensation:

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

Key management personnel compensation is composed of the following:

| | 2025 | 2024 |
|--|------------------|------------------|
| Compensation: | | |
| Salaries, short-term employee benefits | \$ 1,703,891 | \$ 1,249,951 |
| Total pension and other post-employment benefits | 87,073 | 61,139 |
| | <u>1,790,964</u> | <u>1,311,090</u> |
| Premium income | 58,676 | 52,688 |
| Claims paid | — | 29,603 |

Amounts owing to and from key management personnel at December 31, 2025 are \$70,063 (2024 - \$164,682) and \$13,993 (2024 - \$9,059) respectively. The amounts are included in due from policyholders and accounts payable and accrued liabilities on the statement of financial position.

13. Company pension plan:

(a) Defined benefit plan:

The Company participates in a multi-employer defined benefit pension plan (the Ontario Mutual Insurance Association Pension Plan, "the plan"), however, sufficient information is not available to use defined benefit accounting. Therefore, the Company accounts for the plan as a defined contribution plan, recognising contributions as an expense in the year to which they relate.

The Company makes contributions to the plan on behalf of members of its employees. The plan is a money purchase plan, with a defined benefit option at retirement, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. The amount contributed to the plan for 2025 was \$280,055 (2024 - \$309,552). The contributions were made for current service and these have been recognized in net income. The current service amount is determined by the plan actuary using the projected accrued benefit actuarial cost method. These contributions amount to 10.1% (2024 - 10.1%) of the total contributions made to the Plan by all participating entities during the current fiscal year. Expected contributions to the plan for the next annual reporting period amount to \$269,097 (2024 - \$307,918), which is based on payments made to the multi-employer plan during the current fiscal year.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

13. Company pension plan (continued):

(a) Defined benefit plan (continued):

The defined benefit pension plan was closed to future eligible employees effective July 1, 2013. The Company and all current employees who are accruing benefits under the defined benefit plan will continue to contribute to the defined benefit plan according to the existing terms of the agreement. Future eligible employees will become part of a defined contribution plan.

Due to the complexity of the valuation and its long-term nature, the funding valuation is highly sensitive to changes in assumptions, which are reviewed at each reporting date.

(b) Defined contribution plan:

The Company's employees hired after July 1, 2013 participate in a defined contribution plan. The Company's obligations with respect to this plan is to make specified monthly payments based on a percentage of the employee's eligible earnings. The amount contributed to the defined contribution plan for 2025 was \$314,514 (2024 - \$275,420).

14. Deferred tax assets and liabilities:

(a) Recognized deferred tax assets and liabilities:

The Company has unclaimed deductions for claims liabilities and capital assets which are available to offset against deferred income for tax purposes. Deferred income tax assets which would result from these temporary differences are as shown below. The Company does not expect to realize its deferred income tax assets within the next twelve months.

| | 2025 | 2024 |
|-------------------------------|--------------|----------------|
| Deferred income tax asset | | |
| Property and equipment | \$ 44,888 | \$ 47,251 |
| Insurance reserves | 135,884 | (246,490) |
| Other | 68,414 | 59,352 |
| | 249,186 | (139,887) |
| Deferred income tax liability | | |
| Property and equipment | (1,033,025) | (1,304,552) |
| Deferred tax liability | \$ (783,839) | \$ (1,444,439) |

(b) Movement in temporary differences during the year:

| | 2025 | 2024 |
|---------------------------------|----------------|----------------|
| Deferred tax, beginning of year | \$ (1,444,439) | \$ (1,953,763) |
| Recognized in income | 660,600 | 509,324 |
| Deferred tax, end of year | \$ (783,839) | \$ (1,444,439) |

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

15. Income taxes:

(a) Components of income tax expense:

| | 2025 | 2024 |
|---------------------------------|---------------------|---------------------|
| Current period taxes on income | \$ 1,706,970 | \$ 3,447,358 |
| Deferred tax expense | (660,600) | (509,324) |
| Total income tax expense | \$ 1,046,370 | \$ 2,938,034 |

(b) Reconciliation of effective tax rate:

The Company's provision for income taxes varies from the expected provision at statutory rates for the following reasons:

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Combined basic Canadian Federal and Provincial income tax rate | 26.5% | 26.50% |
| Provision for income taxes based on combined basic income tax rate | \$ 1,141,376 | \$ 3,112,433 |
| Decrease (increase) in tax recovery resulting from: | | |
| Non-taxable income | (99,123) | (5,962) |
| Under provision in prior years | (5,968) | (86,534) |
| Non-taxable dividends | 10,085 | (81,791) |
| Other | – | (112) |
| Income tax expense reflected in net income | \$ 1,046,370 | \$ 2,938,034 |

16. Capital management:

For the purpose of capital management, the Company has defined capital as unappropriated policy holders' surplus.

The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory requirements and to best utilize capital allocations.

As a provincially regulated property and casualty insurance company, the Company's capital position is monitored by the Financial Services Regulatory Authority of Ontario ("FSRA"). FSRA evaluates the Company's financial strength through the Minimum Capital Test ("MCT") which measures available capital against required risk-weighted capital. The regulators require property and casualty companies to comply with capital adequacy requirements. This test compares a company's capital against the risk profile of the organization. The risk-based capital adequacy framework assesses the risk of assets, policy liabilities and other exposures by applying various factors that are dependent on the risks associated with the Company's assets. Additionally, an interest rate risk margin is included in the MCT by assessing the sensitivity of the Company's interest sensitive assets and liabilities to changes in interest rates. The regulators indicate that the Company should produce a minimum MCT of 150%. During the year, the Company has consistently exceeded this minimum in its quarterly filings. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement and deemed necessary.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

16. Capital management (continued):

Reinsurance is also used to protect the Company's capital level from large losses, including those of a catastrophic nature, which could have a detrimental impact on capital. The Company has adopted policies that specify tolerance for financial risk retention. Once the retention limits are reached, reinsurance is utilized to cover the excess risk. The Company was not in breach of capital requirements from regulators throughout the year.

17. Recognising Our Opportunity to Support ("ROOTS"):

The Company has decided to appropriate a portion of their surplus annually to ROOTS. The amount designated to appropriated policyholders' surplus annually is to be 7.5% of the current year investment income, with a minimum of \$150,000 to a maximum of \$400,000 for expenditure in the following year. If the maximum threshold is not met based on 7.5% of investment income, and the Company's Combined Ratio (net incurred claims, commissions and general expenses to net underwriting revenue) is less than 90%, the appropriated portion will be increased to \$400,000 maximum as long as the additional amount does not increase the Combined Ratio above 90%. The donations paid and committed during the year are expensed in the consolidated financial statement of comprehensive income. The ROOTS fund will be used to support not-for-profit organizations that provide growth opportunities for children, advance health care efforts for citizens and promote safety in everyday living within the communities where Company's policyholders, staff and brokers reside. The Company expects to continue to provide additional contributions to this fund.

| | 2025 | 2024 |
|---|------------|------------|
| Appropriated surplus, beginning of year | \$ 417,606 | \$ 328,173 |
| Amounts designated to appropriated policy holders' surplus for future use | 400,000 | 400,000 |
| Donations paid and committed | (378,369) | (310,567) |
| Appropriated surplus, end of year | \$ 439,237 | \$ 417,606 |

18. Structured settlements, Fire Mutuals Guarantee Fund and financial guarantee contracts:

The Company enters into annuity agreements with various life insurance companies to provide for fixed and recurring payments to claimants. Under such arrangements, the Company's liability to its claimants is substantially transferred, although the Company remains exposed to the credit risk if life insurers fail to fulfil their obligations.

The Company is a member of the Fire Mutuals Guarantee Fund (the "Fund"). The Fund was established to provide payment of outstanding policyholders' claims, and assumptions of unearned premiums, if a member company becomes bankrupt. As a result, the Company may be required to contribute assets to their proportionate share in meeting this objective.

The Company is a member of the Farm Mutual Re (the "Plan"), which is a general reinsurer that shares in the insurance risks originally accepted by member insurance companies. As a member of the Plan, the Company may be required to contribute additional capital to the Plan in the form of subordinated debt should the Plan's capital fall below a prescribed minimum.

TRILLIUM MUTUAL INSURANCE COMPANY

Notes to Financial Statements (continued)

For the year ended December 31, 2025

19. Schedule of Operating Expenses:

| | 2025 | 2024 |
|--|---------------|---------------|
| Claims and adjustment expenses | \$ 59,093,976 | \$ 53,098,912 |
| Salaries, benefits and directors' fees | 8,552,710 | 8,588,544 |
| Professional fees | 281,281 | 199,879 |
| Commissions | 20,516,635 | 19,299,089 |
| Depreciation and amortization | 1,914,937 | 1,837,348 |
| Occupancy costs | 327,008 | 307,539 |
| Information technology | 2,665,656 | 2,653,269 |
| Inspection | 611,183 | 654,581 |
| Premium tax | 340,841 | 319,388 |
| Other general expenses: | | |
| Advertising | 222,504 | 229,624 |
| Association fees and dues | 126,376 | 117,428 |
| Insurance and bank charges | 670,715 | 657,279 |
| Postage and telephone | 218,467 | 225,928 |
| Printing, stationery and office | 103,107 | 116,928 |
| Travel | 187,790 | 214,920 |
| Operating expenses | \$ 95,833,186 | \$ 88,520,656 |
| Represented by: | | |
| Insurance service expenses | 87,484,867 | 80,348,165 |
| General and operating expenses | 8,348,319 | 8,172,491 |
| Total | \$ 95,833,186 | \$ 88,520,656 |

20. Comparative Information:

Certain comparative information has been reclassified from that previously presented to conform to the presentation of the 2025 financial statements.