

# 24

## **Municipal Hail Insurance**

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2024 Annual Report



**SMHI**

SASKATCHEWAN  
MUNICIPAL HAIL  
INSURANCE

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"The 1917 Municipal Hail Insurance Act made provision for the hail insurance business heretofore conducted by the Hail Insurance Commission to be operated by an Association to be known as 'The Saskatchewan Municipal Hail Insurance Association' with an elected board of nine directors. The original name has officially continued through the years without any change, but has been 'unofficially' shortened to the more popular name 'Municipal Hail'."

Excerpt from "A History of The Saskatchewan  
Municipal Hail Insurance Association"

## OFFICERS & MANAGEMENT STAFF

President	Jason Friesen
Vice-President	Foster Warriner
Member of Executive Committee	Pauline Ziehl Grimsrud
Chief Executive Officer	Rodney Schoettler
Chief Operating Officer	Mark Holfeld
Claims Manager	Devin Cherneski
Office Manager	Lise Nargang

## DIRECTORS

<u>ELECTED UNTIL 2025</u>	<u>ELECTED UNTIL 2026</u>	<u>ELECTED UNTIL 2027</u>
John Wagner, Maple Creek	Jason Friesen, Watson	Maurice Berry, Carievale
Foster Warriner, Alameda	Murray Purcell, Saskatoon	Blair Cummins, Blucher
Pauline Ziehl Grimsrud, Torquay	Jozell Robberstad, Chaplin	Kurt Winny, Choiceland

In accordance with the provisions of Section 16 of *The Municipal Hail Insurance Act*, the following reports are presented to the Minister and to the Reeve and Administrator of each Rural Municipality in the Province of Saskatchewan.

# 2025 Annual General Meeting

## AGENDA

8:30 AM

### Call to Order

Chairman's remarks and introduction of Directors

Adoption of Agenda

Adoption of minutes of last Annual Meeting (2024)

President's Report

Nomination for Election of Directors (closes at 9:00 a.m)

Speeches by Nominators and Candidates and election(s) where required

CEO's Report and introduction of Staff

Discussion and approval of the 2024 Consolidated Auditor's Report

Resolutions and Other Business

Adjournment



Jason Friesen  
President



Foster Warriner  
Vice-President



Pauline Ziehl Grimsrud  
Exec. Comm. Member



Murray  
Purcell



Maurice  
Berry



Blair  
Cummins



John  
Wagner



Jozell  
Robberstad



Kurt  
Winny



Rodney Schoettler  
Chief Executive Officer

## directors' report

Ladies and Gentlemen:

The Directors take pleasure in presenting the one hundred and eighth Annual Report with the Consolidated Auditors' Report for the year ended December 31, 2024. Also included are the details of the one hundred and first Annual Report covering the operations of Additional Municipal Hail Insurance (AMHI) for the year ended December 31, 2024.

Seeding operations began in April in the southern part of the province where good progress was made, while the north was slow to start due to higher spring snowfall accumulation. There was a sense of optimism in the farming community as early spring rainfall was received across the province. Spring rainfall had been limited in recent years, so it was welcomed by all even though it would cause delays in seeding operations. Due to these conditions only 32 percent of the crop was in the ground near mid-May, compared to the five-year average of 54 percent. Producers made good progress in the latter half of May, which allowed seeding to reach 94 percent complete. Adequate soil moisture conditions were being reported in most areas, though the cooler temperatures continued to delay emergence and had producers looking forward to warmer weather to assist crop development.

Periodic rainfall and below seasonal temperatures continued into June. The rainfall hindered completion of seeding operations in the northeast and east-central parts of the province. Nonetheless, come mid-June seeding operations were virtually complete with 99 percent of the crop in the ground.

Approximately 37.1 million acres were seeded to major grains, oil seeds and specialty crops in Saskatchewan, of which Municipal Hail insured 15.3 million or 41.2 percent of the total seeded acres.

When producers filed their SMHI crop reports, they were offered the basic indemnity of \$30 per acre and a maximum of \$425 per acre. Again in 2024, the amount of coverage purchased per acre increased, and as a result SMHI's business written grew from \$2.29 billion in 2023 to \$2.32 billion in 2024. Eighty-five percent of the acres reported for coverage were insured under the full coverage option with the remaining acres being insured on a deductible coverage basis.

Crop development continued to fall behind normal due to the persistent cool, wet conditions in late June. Municipal Hail saw claims filed for storms occurring on 16 of 30 days in June totalling losses of \$9.3 million on 668,252 acres. The heaviest damage occurred in the first major storm date of the season on June 23<sup>rd</sup> with hail falling in 76 Rural Municipalities (RMs) across the province, producing \$6.5 million in losses on 396,101 acres.

Cancellations received by SMHI decreased in 2024, totalling 32 – compared to the previous year's total of 67. These cancellations were received from 15 RMs for a total of 5,453 acres cancelled, reducing the 2024 hail taxes by \$46,336.

Conditions changed quickly in July as temperatures rose to above normal and rainfall became scarce. Crop development progressed rapidly across the province and concerns over yield potential grew as the heat, grasshoppers, aphids and lack of moisture took their toll on crops. Towards the end of July, pre-harvest operations commenced in the southern part of the province with the desiccation of pulse crops. Some producers also began cutting cereal crops for feed due to declining yield potential. Hail activity in July was abnormally quiet, producing storms on only 22 of 31 days in the month, when typically hailstorms would occur every day. The volume and severity of those storms that occurred in the month were also abnormally low, producing claims on only 532,461 acres with losses totalling \$15.4 million and no major storm dates occurring in the month.

Harvest efforts ramped up in early August as the hot-dry conditions continued to advance crop maturity. The weather would finally turn near mid-month as moisture was received throughout the province. However, it was too late to alleviate the yield concerns caused by several weeks of hot-dry conditions and for many, the moisture came with heavy hail and strong winds. By mid-August harvest progress was at 15 percent complete, slightly ahead of the five-year average of 13 percent.

Hail activity in August was relatively normal with hail falling on 22 of 31 days. The volume and severity of those storms, however, was unusually high producing losses of \$64.7 million on 1,327,739 acres and three major storm dates in the month. The first of which came on August 17<sup>th</sup> causing \$7.4 million in losses on 140,578 acres, with the hardest hit area being the west-central part of the province. The very next day, on August 18<sup>th</sup>, another major storm date would occur with claims filed on 110,222 acres totalling losses of \$5.2 million with the majority being located on the east side of the province and into Manitoba. Then August 21<sup>st</sup>, the heaviest storm date of the season by all measures, produced losses of \$30.1



million on 433,506 acres across 85 RMs. The most significant damage that day came from storms that hit the southeastern and north-central parts of the province.

By the beginning of September 42 percent of the crop was harvested, which was well ahead of the five-year average of 34 percent. Hail activity was busier than normal in September with claims being filed for storms on 20 of 30 days in the month producing \$14.0 million in losses on 180,789 acres, however, no major storm dates occurred. Harvest efforts were slowed in the middle of the month due to rainfall, but producers were still able to make good progress and by the end of September 91 percent of the crop was off province wide, still ahead of the five-year average of 83 percent.

By mid-October harvest was essentially complete with 99 percent of the crop in the bin. Harvest went well overall despite the challenges of intermittent rain, hailstorms and heavy winds occurring throughout the province. As a result of the extended hot-dry conditions experienced in late July and early August, producers reported below average yields and below adequate topsoil moisture at the end of the season. Once again, many producers headed into winter hoping topsoil moisture conditions would be improved for the coming spring.

Capacity issues in the hail insurance industry remained a concern in 2024, as producers once again purchased record levels of coverage. Similar to prior year, some hail insurance providers reached their limits early in the season. The Association again used its strong balance sheet and reinsurance capacity to remain open for business providing hail insurance coverage to producers in need. On a combined basis the Association provided \$4.02 billion of coverage in 2024, compared to the prior year's total of \$3.85 billion.

In total, the season produced 85 storms, which was slightly below the five-year average (2019-2023) of 88 storms. However, the total acres claimed as a result of these storms amounted to 2,711,058, coming in above the five-year average of 2,636,070. The 2024 season proved to be challenging not due to the overall volume of acres claimed, but due to the timing. The hail events and acres claimed were higher than normal in June which had the Municipal Hail field staff under pressure out of the gate. July hail activity was well below normal which allowed the field staff to catch up on loss adjustments before the end of the month. Just as harvest was hitting full swing across the province the hail activity picked up and produced claims on over 1.3 million acres in the month of August. Over half of these acres were damaged in a five-day window from August 17<sup>th</sup> to 21<sup>st</sup>. The field staff worked tirelessly to adjust these claims as efficiently as possible, but the timing meant many producers would be harvesting the crop prior to their loss adjustments being conducted and would need to leave evidence in the field. In October, strong winds hit the prairies and wreaked havoc on the evidence remaining in the field, blowing around swaths and causing shelling in those crops left standing. For the Municipal Hail field staff this was yet another challenge in what had already proven to be a challenging season. The field staff would persevere as loss adjusting was wrapped up by mid-October and all were home to their families in time for Thanksgiving dinner.

Fire claims for the season totalled 37, which was up from the 12 fire claims recorded the previous year. Indemnity paid as a result of the fire claims amounted to just over \$286,000.

SMHI hail tax collections totalled 92 percent of the 2024 taxes levied compared to 96 percent for 2023.

During the period 1917 through 2024, Municipal Hail has paid indemnities amounting to 77.5¢ of each hail tax dollar levied.

This was the tenth year the Association provided crop hail coverage through AMHI for producers in Alberta and Manitoba. In Alberta, 690,684 acres were insured, producing \$7.4 million of premium. In Manitoba, 992,515 acres were insured, which produced \$7.9 million of premium income. The losses paid in these two provinces totalled \$9.6 million, with the loss to premium coming in at just under 63 percent combined.

In Municipal Hail's 108 years of providing crop hail protection for farmers and landowners, the Association has provided \$63.4 billion of coverage and paid losses totalling \$2.1 billion. This year, the Association provided \$4.02 billion of coverage and paid losses of \$103.6 million.

Directors Maurice Berry of Carievale and Blair Cummins of Blucher were elected for an additional three-year term and Kurt Winny of Choiceland was elected to his first three-year term at the 2024 Annual Meeting. Director Winny was formerly a Councillor at the Rural Municipality of Torch River No. 488.

We would like to take this opportunity to once again extend our sincere appreciation to the Rural Municipalities and their Administrators for their continued support and willing assistance in delivering the Municipal Hail Insurance programs to producers and to our field and office staff for their efficient and dedicated service in 2024.

# statistics

The following is a comparison of the years 2024 and 2023:

	SMHI	AMHI	PMHI	2024	2023
Total Risk	\$2,319,017,451	\$1,397,100,240	\$301,838,839	<b>\$4,017,956,530</b>	\$3,852,498,467
Hail Taxes/Premiums	\$85,916,122	\$48,074,490	\$11,737,377	<b>\$145,727,989</b>	\$137,976,269
Indemnity Paid	\$59,431,432	\$36,363,994	\$7,830,905	<b>\$103,626,331</b>	\$57,829,631
Average Charged Rate	3.70%	3.44%	3.89%	<b>3.63%</b>	3.58%
Number of Claims	3,858	1,392	262	<b>5,512</b>	3,671
Loss to Risk	2.56%	2.60%	2.59%	<b>2.58%</b>	1.50%
Loss to Taxes/Premiums	69.17%	75.64%	66.72%	<b>71.11%</b>	41.91%
Average Cost per Claim	\$15,405	\$26,124	\$29,889	<b>\$18,800</b>	\$15,753

SMHI insured 11,144,763 acres in 2024, compared to 11,225,522 acres in 2023. The basic indemnity available in 2024 was \$30 per acre and the maximum was \$425 per acre.

The following information details the transactions regarding the continuing feature of SMHI:

	2024	2023
Assessment Applications (new)	<b>514</b>	644
Withdrawal Applications	<b>631</b>	622

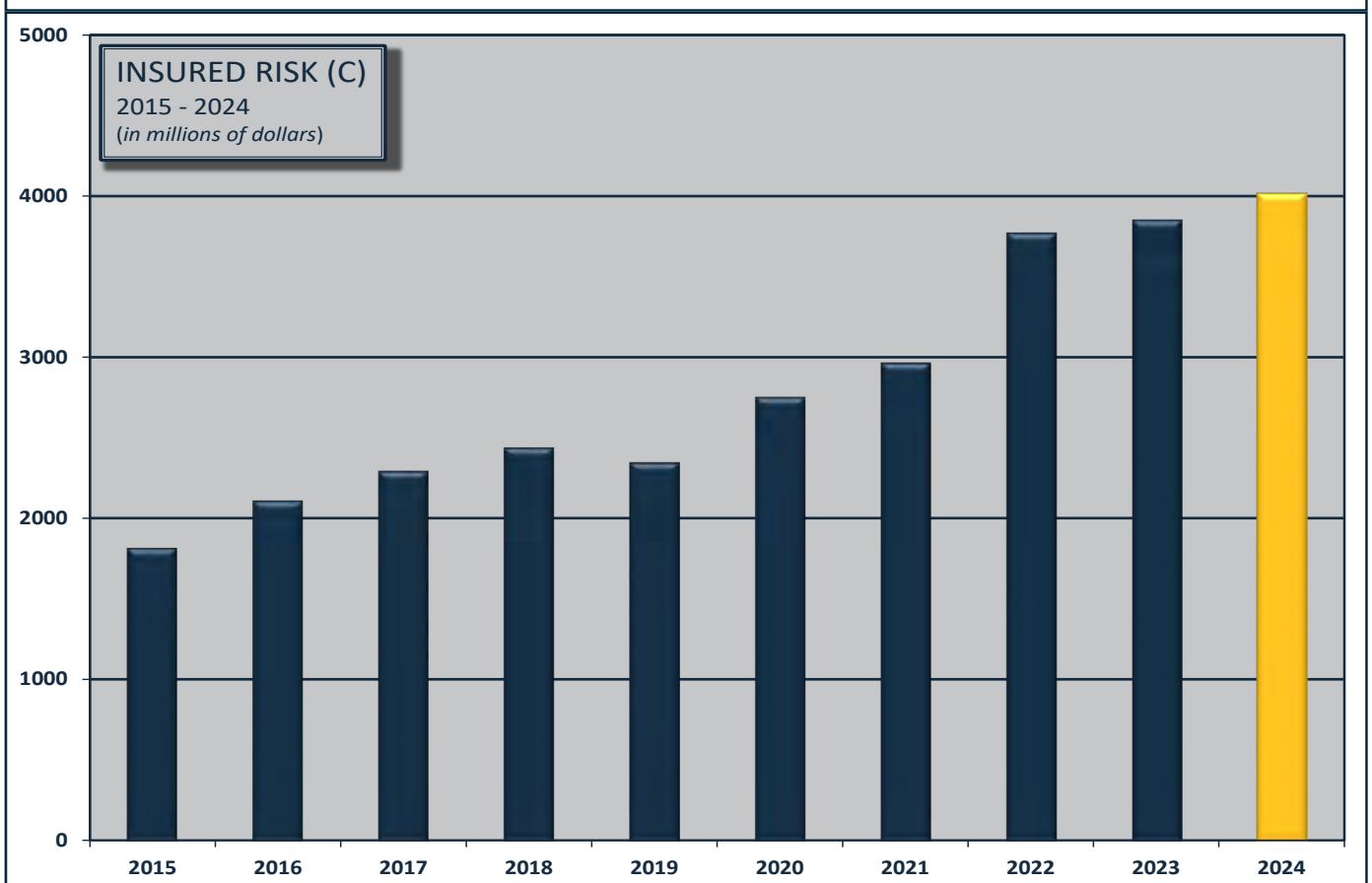
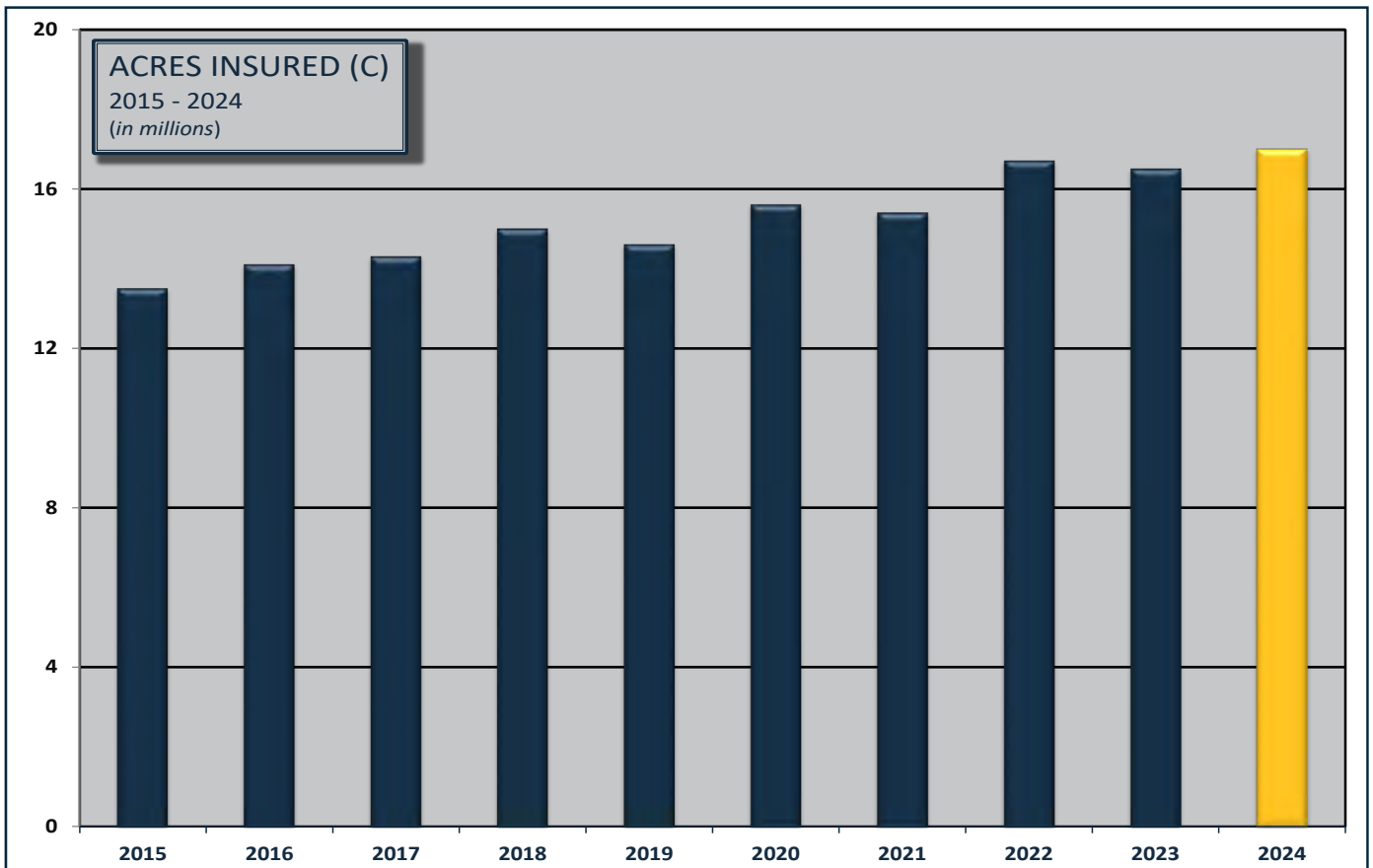
The terms of the following Board members expire at this Annual Meeting:

JOHN WAGNER

FOSTER WARRINER

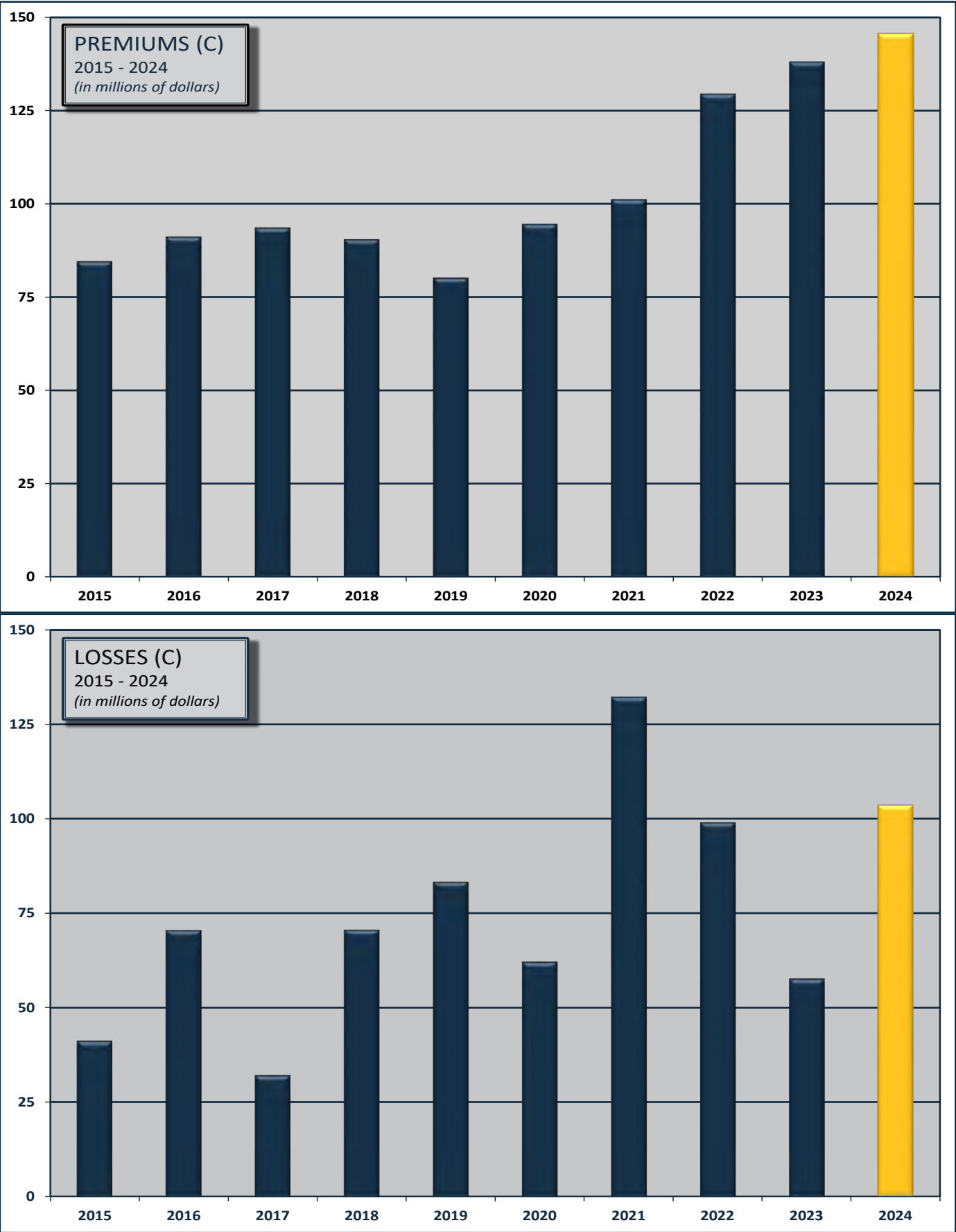
PAULINE ZIEHL GRIMSRUD

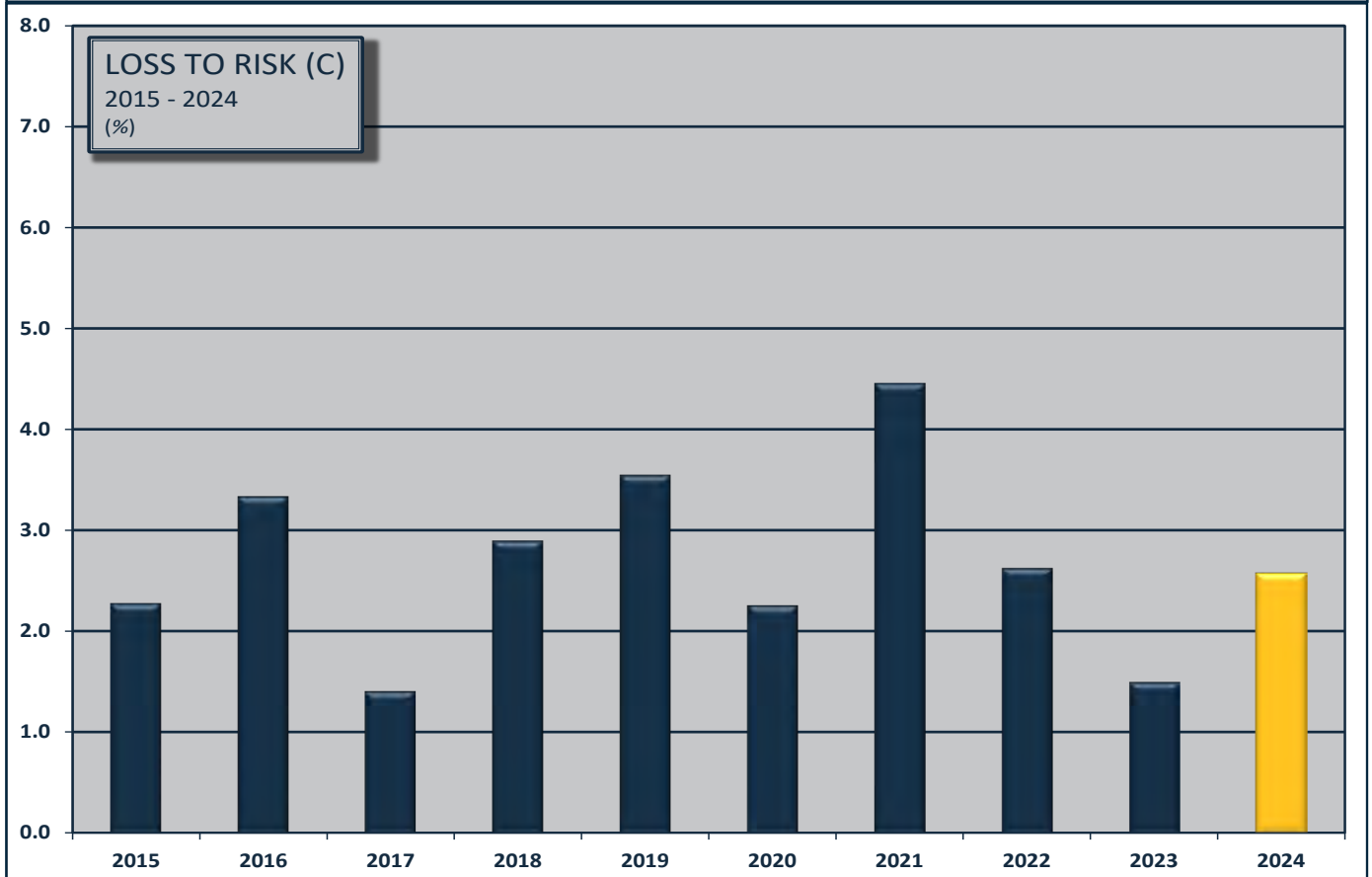
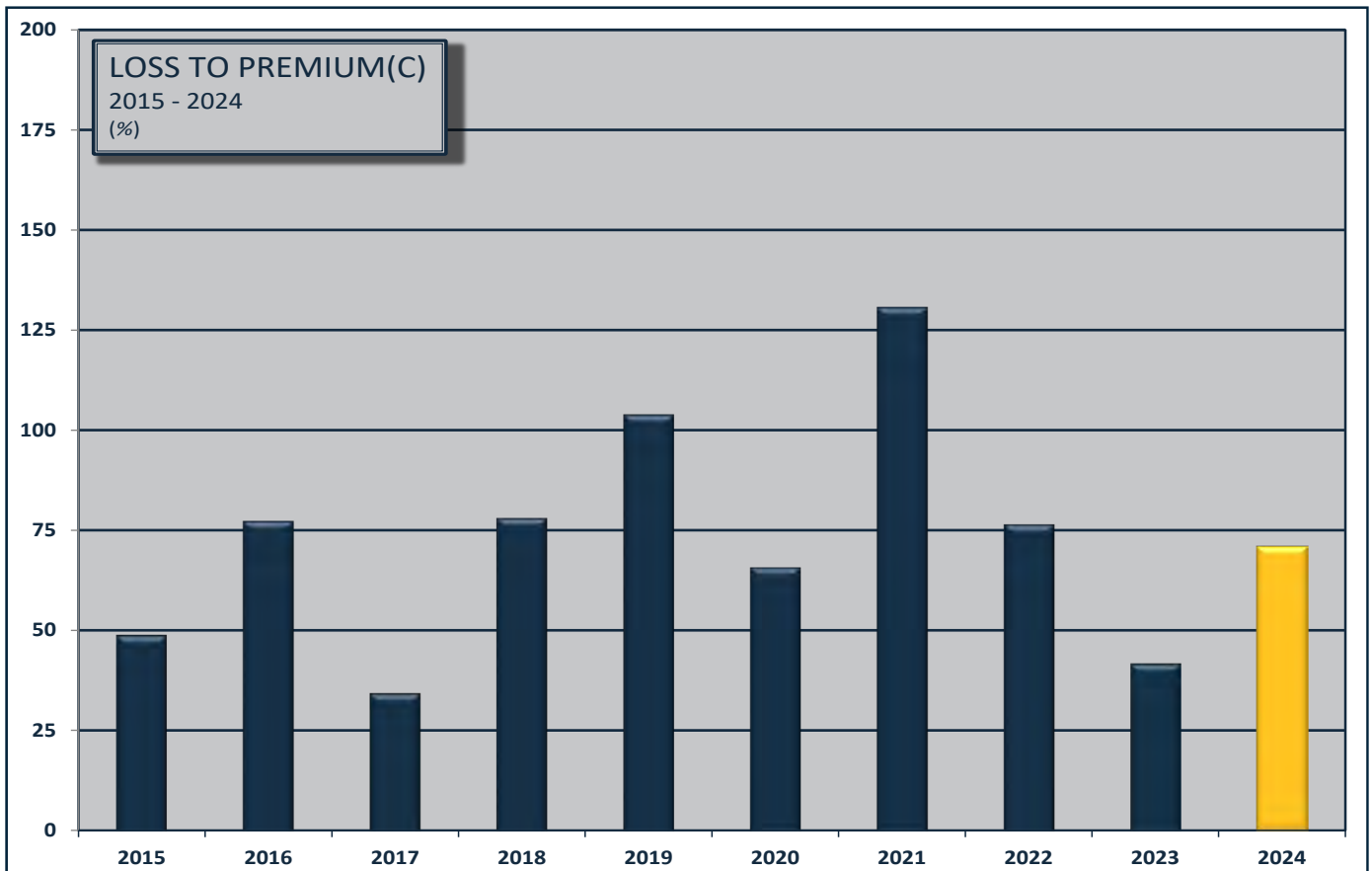
Regina, Saskatchewan  
February 27<sup>th</sup>, 2025

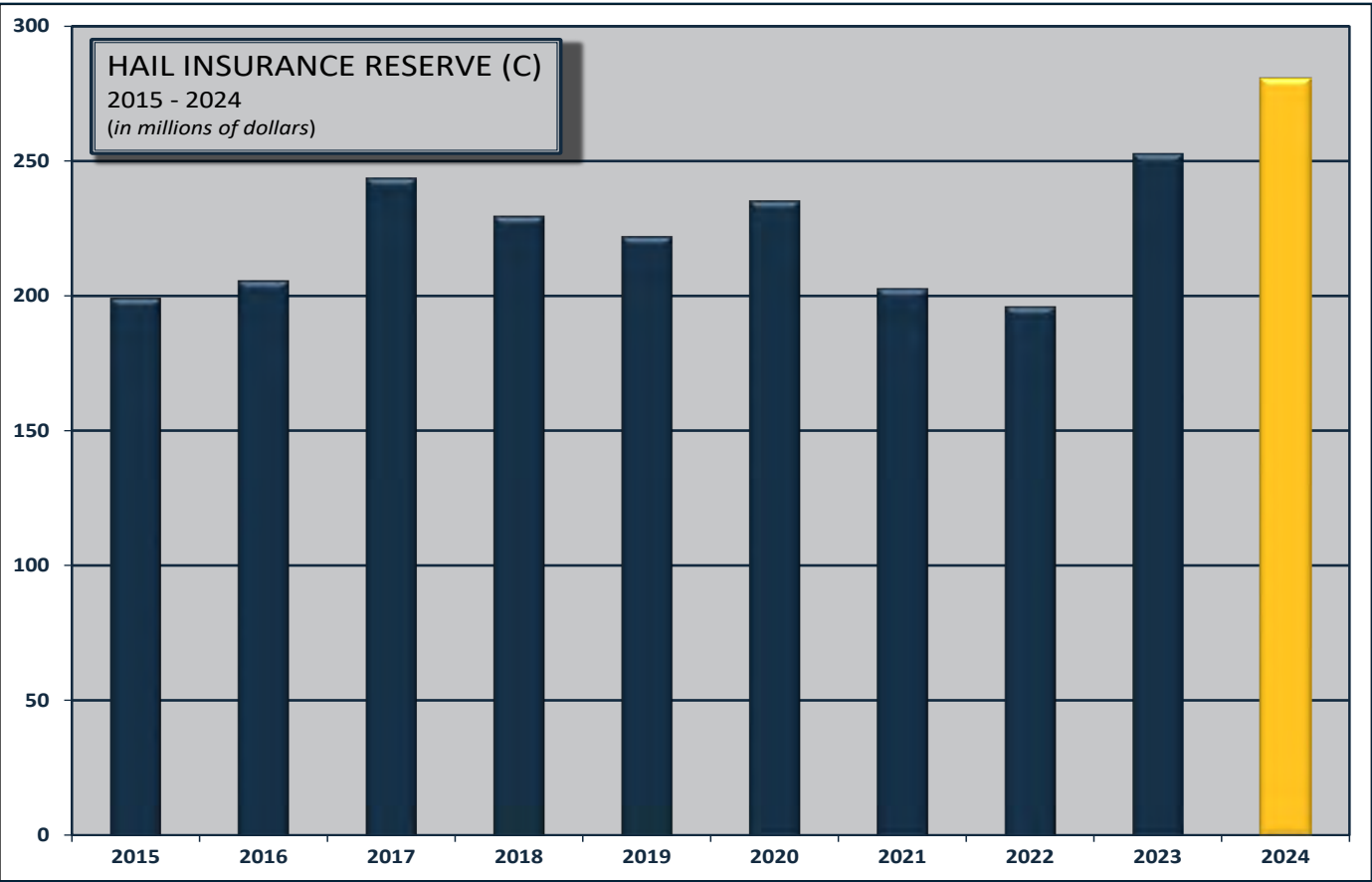




Municipal Hail  
2024 Annual Report









KPMG LLP  
Hill Centre Tower II  
1881 Scarth Street, 20th Floor  
Regina Saskatchewan S4P 4K9  
Canada  
Telephone (306) 791-1200  
Fax (306) 757-4703

## INDEPENDENT AUDITOR'S REPORT

To the Directors

### *Opinion*

We have audited the accompanying consolidated financial statements of Saskatchewan Municipal Hail Insurance Association (the "Association"), which comprise:

- the consolidated statement of financial position as at December 31, 2024
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets 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 significant accounting policies (hereafter 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 Association as at December 31, 2024 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

### *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 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.

## Municipal Hail 2024 Annual Report

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### *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 Canadian accounting standards for not-for-profit organizations, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 Association'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 Association 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.
- 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.



Chartered Professional Accountants

February 27, 2025  
Regina, Canada

# consolidated statement of financial position

as at December 31:

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Cash	\$ 71,648,132	\$ 54,447,971
Investments (note 4)	205,955,201	192,160,431
Accrued interest on investments	1,255,390	1,096,792
Accounts receivable	15,229,602	11,274,644
Capital assets (note 5)	3,357,043	3,040,237
	<u>\$ 297,445,368</u>	<u>\$ 262,020,075</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Deferred indemnities	\$ 13,744,270	\$ 6,932,038
Accounts payable	2,923,649	2,272,465
	<u>16,667,919</u>	<u>9,204,503</u>
Net Assets:		
Hail insurance reserve	23,850,000	21,200,000
Unrestricted	256,927,449	231,615,572
	<u>280,777,449</u>	<u>252,815,572</u>
Contingencies (note 9)	<u>\$ 297,445,368</u>	<u>\$ 262,020,075</u>

See accompanying notes.

On behalf of the Board.



Jason Friesen, Director



Foster Warriner, Director



# consolidated statement of operations

Year ended December 31, 2024 with comparative figures for 2023

	<u>2024</u>	<u>2023</u>
Revenue:		
Assessments and premiums	\$ 145,727,989	\$ 137,976,269
Discounts	(4,178,926)	(4,147,978)
Penalties added	114,609	102,915
Ceded premiums	-	(6,768,750)
Ceded commission	-	1,286,062
	<u>141,663,672</u>	<u>128,448,518</u>
Expenses:		
Indemnities	103,626,331	57,829,631
Ceded indemnities	-	(3,161,163)
Reinsurance	16,185,973	14,382,941
Payments to RMs and agents	8,510,754	8,144,067
Administration	7,771,586	6,731,490
Adjustment costs	3,317,228	2,337,412
	<u>139,411,872</u>	<u>86,264,378</u>
Net underwriting income	<u>2,251,800</u>	<u>42,184,140</u>
Investment income (note 6)	25,710,077	14,541,374
Excess of revenue over expenses	<u>\$ 27,961,877</u>	<u>\$ 56,725,514</u>

See accompanying notes.

# consolidated statement of changes in net assets

Year ended December 31, 2024 with comparative figures for 2023

	2024	2023
Hail insurance reserve:		
Balance, beginning of year	\$ 21,200,000	\$ 14,420,385
Allocation from unrestricted net assets	2,650,000	6,779,615
Balance, end of year	<u>23,850,000</u>	<u>21,200,000</u>
Unrestricted net assets:		
Balance, beginning of year	231,615,572	181,669,673
Excess of revenue over expenses	27,961,877	56,725,514
Allocation to hail insurance reserve	(2,650,000)	(6,779,615)
Balance, end of year	<u>256,927,449</u>	<u>231,615,572</u>
Total net assets	<u>\$ 280,777,449</u>	<u>\$ 252,815,572</u>

See accompanying notes.

# consolidated statement of cash flows

Year ended December 31, 2024 with comparative figures for 2023

	<u>2024</u>	<u>2023</u>
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 27,961,877	\$ 56,725,514
Items not involving cash:		
Amortization of capital assets (note 5)	293,552	366,246
Gain on sale of investments (note 6)	(1,328,457)	(308,428)
Change in fair value of investments (note 6)	(11,667,907)	(4,192,461)
Changes in non-cash operating items:		
Accrued interest on investments	(158,598)	(170,733)
Accounts receivable	(3,954,958)	139,141
Deferred indemnities	6,812,232	(5,645,489)
Accounts payable	651,184	554,353
	<u>18,608,925</u>	<u>47,468,143</u>
Investing:		
Proceeds on sale or maturity of investments	36,369,461	41,093,682
Purchase of investments	(37,167,867)	(66,391,665)
Purchase of capital assets	(610,358)	(383,061)
	<u>(1,408,764)</u>	<u>(25,681,044)</u>
Increase in cash	<u>17,200,161</u>	<u>21,787,099</u>
Cash, beginning of year	54,447,971	32,660,872
Cash, end of year	<u>\$ 71,648,132</u>	<u>\$ 54,447,971</u>

See accompanying notes.

# notes to consolidated financial statements

December 31, 2024

## 1. Nature of operations:

Saskatchewan Municipal Hail Insurance Association (the Association) is incorporated under the authority of *The Municipal Hail Insurance Act* and its principal business is the provision of hail insurance in the Province of Saskatchewan. The Association has established two wholly-owned subsidiaries, Additional Municipal Hail Insurance (AMHI) to provide spot loss hail insurance coverage and Prairie Municipal Hail Insurance (PMHI) to act as an agency for AMHI.

## 2. Basis of preparation:

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations contained in Part III of the CPA Handbook.

## 3. Significant accounting policies:

### (a) Basis of consolidation:

The consolidated financial statements include the accounts of the Association and its wholly-owned subsidiaries, AMHI & PMHI. All significant intercompany transactions have been eliminated.

### (b) Financial assets and liabilities:

Financial instruments are recorded at fair value on initial recognition. Equity instruments, bonds, debentures, mutual funds and pooled funds that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment and the Association determines that there is a significant adverse change in the expected timing or amount of future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset and the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# notes to consolidated financial statements

December 31, 2024

**3. Significant accounting policies (continued):**

(c) Income taxes:

The Association is exempt from income taxes under paragraph 149 (1) (d) of *The Income Tax Act*.

(d) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis using the following annual rates:

Asset	Rate
Building	3%
Intellectual property	10%
Furniture and equipment	3% - 25%
Software	10% - 25%

(e) Assessments and premiums:

Assessments, which consist of amounts levied by rural municipalities, and premiums, which consist of policies written on a cash basis for additional insurance, are reported at the amount written less cancellations.

(f) Hail insurance reserve:

The Association’s subsidiary, AMHI, has established a hail insurance reserve pursuant to Section 8-94 of *The Insurance Act* which provides that it annually set aside at least 50% of the profit realized from its hail insurance business in the year until the amount of the reserve is equal to at least 50% of the net hail insurance premiums written during the preceding calendar year, at which proportion the reserve shall be maintained.

The Association allocated \$2,650,000 to the Hail Insurance Reserve in 2024 to bring the balance at December 31, 2024 to \$23,850,000.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

# notes to consolidated financial statements

December 31, 2024

## 4. Investments:

The Association's investments are as follows:

	2024	2023
Guaranteed investment certificates (GICs)	\$ 16,269,555	\$ 18,018,892
Bonds, debentures and notes:		
Federal government	5,077,744	6,278,165
Provincial government	3,538,886	3,820,163
Corporate	55,021,475	48,882,170
Fixed income funds <sup>1</sup>	17,170,905	15,725,186
	97,078,565	92,724,576
Equities	64,845,568	57,112,972
Mutual funds	4,438,528	8,419,319
Pooled funds	23,242,134	18,876,674
Other investments	16,350,406	15,026,890
	\$ 205,955,201	\$ 192,160,431

<sup>1</sup>Includes bonds, debentures and notes

## 5. Capital assets:

	2024			2023
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 891,465	\$ -	\$ 891,465	\$ 891,465
Building	2,135,216	1,092,368	1,042,848	811,223
Intellectual property	15,814	6,080	9,734	11,015
Furniture and equipment	1,355,791	1,047,403	308,388	278,872
Software	3,479,269	2,374,661	1,104,608	1,047,662
	\$ 7,877,555	\$ 4,520,512	\$ 3,357,043	\$ 3,040,237

Amortization expense of \$293,552 (2023 - \$366,246) was recorded in the current year and has been included in administration expense on the statement of operations.



## notes to consolidated financial statements

December 31, 2024

### 6. Investment income:

	2024	2023
Investment income	\$ 12,713,713	\$ 10,040,485
Gain on sale of investments	1,328,457	308,428
Change in fair value of investments	11,667,907	4,192,461
	<b>\$ 25,710,077</b>	<b>\$ 14,541,374</b>

### 7. Reinsurance:

The Association follows the policy of reinsuring their undertakings of indemnity which limits the liability of the Association from claims in any year. Undertakings of indemnity and contracts of insurance are in force from the date of the undertakings or contracts to October 31 in the same calendar year.

### 8. Financial risk management:

The nature of the Association's operations result in a statement of financial position that consists primarily of financial assets and liabilities. The risks that arise are credit risk, market risk, liquidity risk and interest rate risk.

Significant financial risks are related to the Association's investments. These financial risks are managed by having an Investment Policy Statement which is approved annually by the Board of Directors. This policy provides guidelines to the investment manager for the asset mix of the portfolio using a prudent person approach. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes.

# notes to consolidated financial statements

December 31, 2024

## 8. Financial risk management (continued):

### (a) Credit risk:

Credit risk represents the potential for loss resulting from a counterparty failing to meet its obligations.

The Association's credit risk arises primarily from certain investments. The maximum credit risk to which it is exposed at December 31, 2024 is limited to the fair value of the financial assets summarized as follows:

	2024	2023
	Fair value	Fair value
Cash	\$ 71,648,132	\$ 54,447,971
Investments <sup>1</sup>	97,078,565	92,724,576
Accrued interest on investments	1,255,390	1,096,792
Accounts receivable	15,229,602	11,274,644
	<b>\$ 185,211,689</b>	<b>\$ 159,543,983</b>

<sup>1</sup>Includes GICs, bonds, notes and debentures

Receivables are mostly due from hail insurance premiums and under current legislation, the Association has the right to collect these premiums through taxes and tax enforcement; therefore, the Association does not have an allowance for doubtful accounts.

Credit risk within investments is primarily related to GICs, bonds, notes and debentures. It is managed through the investment policy that limits debt instruments to those of high credit quality along with limits to the maximum notional amount of exposure with respect to any one issuer.

# notes to consolidated financial statements

December 31, 2024

## 8. Financial risk management (continued):

Credit ratings for investments are as follows:

	2024	2024	2023	2023
Credit Rating	Fair value	Makeup of portfolio (%)	Fair value	Makeup of portfolio (%)
R1	\$ 10,000,000	10.3%	\$ 12,000,000	12.9%
AAA	5,077,744	5.2%	6,278,165	6.8%
AA	9,668,351	10.0%	6,388,968	6.9%
AA-	2,113,666	2.2%	2,008,909	2.2%
A+	4,492,837	4.6%	8,087,813	8.7%
A	18,393,728	18.9%	16,850,542	18.2%
A-	20,263,816	20.9%	22,345,477	24.1%
BBB+	8,015,738	8.3%	987,100	1.1%
BBB	1,881,780	1.9%	1,062,600	1.1%
BBB-	-	0.0%	989,816	1.1%
Not rated	17,170,905	17.7%	15,725,186	16.9%
Total	\$ 97,078,565	100.0%	\$ 92,724,576	100.0%

Not rated investments consist of fixed income funds that contain rated investments where no rating is established for the fund as a whole.

One issuer accounts for 15.4% (2023 – 12.2%) of the fair value of the portfolio.

### (b) Market risk:

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates and equity prices. Market risk primarily impacts the value of investments.

Individual holdings are diversified by geography, industry type and corporate entity. There has been no change to the risk exposures from the previous year.

### (c) Liquidity risk:

Liquidity risk represents the potential for loss where an entity is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The majority of financial liabilities, including deferred indemnities and accounts payable, are short-term in nature, due within one year. The Association generally maintains positive overall cash flows through cash generated from operations, as well as cash generated from investing activities. There has been no change to the risk exposures from the previous year.

# notes to consolidated financial statements

December 31, 2024

## 8. Financial risk management (continued):

### (d) Interest rate risk:

Details of significant terms and conditions and exposure to interest rate risk of investments are as follows:

	2024	2024	2023	2023
Term to maturity (years)	Fair value	Average effective rates	Fair value	Average effective rates
GICs:				
One or less	\$ 7,058,476	4.8%	\$ 3,000,000	3.2%
After one through five	9,211,079	4.9%	15,018,892	4.9%
Bonds, debentures and notes:				
Federal government:				
One or less	565,953	4.2%	433,060	5.0%
After one through five	2,146,224	3.4%	3,138,635	4.1%
After five	2,365,567	3.4%	2,706,470	3.5%
Provincial government:				
One or less	-	0.0%	901,623	7.7%
After one through five	3,538,886	3.1%	2,918,540	3.0%
Corporate:				
One or less	19,011,048	5.0%	12,267,083	5.0%
After one through five	32,532,873	5.0%	13,145,196	4.9%
After five	3,477,554	2.1%	23,469,891	5.6%
Fixed income funds:				
One or less	17,170,905	5.1%	15,725,186	5.0%
	<b>\$ 97,078,565</b>		<b>\$ 92,724,576</b>	

The fair value and effective interest rates are shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or repay obligations with or without call or repayment penalties.

# notes to consolidated financial statements

December 31, 2024

## **9. Contingencies:**

In common with the insurance industry in general, the Association is subject to litigation arising in the normal course of conducting its insurance business. The Association is of the opinion that this litigation will not have a significant effect on the financial position or results of operations of the Association.

## **10. Pension plan:**

The Association's employees participate in the Municipal Employees Pension Plan, a multi-employer defined benefit pension plan. Pension costs of \$206,965 (2023 - \$169,518) are included in administration expense and comprise the employer contributions for current and past service of employees during this period. The Association's liability is limited to the required contributions.

# **THE** Farmers Dollar

Since 1917



Paid Out for Claims	77.5 cents
Paid Out for Expenses	13.5 cents
Reserve	(1.0) cents
Reinsurance	10.0 cents

 **SMHI**

 **AMHI**

 **PMHI**