

25

Municipal Hail Insurance

2025 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	Vacant
Office Manager	Lise Nargang

DIRECTORS

ELECTED UNTIL 2026

Jason Friesen, Watson
Murray Purcell, Saskatoon
Jozell Robberstad, Chaplin

ELECTED UNTIL 2027

Maurice Berry, Carievale
Blair Cummins, Blucher
Kurt Winny, Choiceland

ELECTED UNTIL 2028

John Wagner, Maple Creek
Foster Warriner, Alameda
Pauline Ziehl Grimsrud, Torquay

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.

2026 Annual General Meeting

AGENDA

9:00 AM

Call to Order

Chairman's remarks and introduction of Directors

Adoption of Agenda

Adoption of minutes of last Annual Meeting (2025)

President's Report

Nomination for Election of Directors (closes at 9:30 a.m)

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

CEO's Report and introduction of Staff

Discussion and approval of the 2025 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 ninth Annual Report with the Audited Consolidated Financial Statements for the year ended December 31, 2025. Also included are the details of the one hundred and second Annual Report covering the operations of Additional Municipal Hail Insurance (AMHI) for the year ended December 31, 2025.

Once again, the southwest part of the province started seeding operations first. Despite multiple storms throughout the province in April, producers were able to get into their fields and make quick progress over a few weeks. Throughout the month of May, rainfall was fairly limited with warm, dry and windy conditions depleting topsoil moisture across most of the province. Due to these conditions, seeding progress remained notably higher than the five-year average of 60 percent, with 72 percent of the crops now planted. With the rainfall being variable across the province producers had made even more progress in the latter half of May, which allowed seeding to reach 97 percent complete by the end of the month. Even though topsoil moisture continued to decline, producers were reporting mostly good crop emergence across the province with some reports of spotty emergence on later seeded crops.

Seeding was wrapped up by mid-June but dry conditions coupled with windy days continued to create the largest source of crop damage. Having very little rainfall, topsoil moisture conditions continued to decline provincially, with some Rural Municipalities (RMs) on the west side of the province declaring a 'State of Emergency' due to drought. Isolated thunderstorms swept across parts of the province, bringing little moisture and some hail with the first of these storms being reported on June 13th, just two days before the SMHI Crop Report deadline.

Approximately 37.3 million acres were seeded to major grains, oil seeds and specialty crops in Saskatchewan, of which Municipal Hail insured 14.6 million or 39.1 percent of the total seeded acres.

Producers insured with SMHI were offered a basic indemnity of \$30 up to a maximum of \$400 per acre. For the first time, coverage per acre available through SMHI decreased. SMHI was required to reduce its maximum per acre indemnity by \$25 due to the formula established by the Ministry of Agriculture, in a time when more coverage, not less, is needed. As a result, SMHI saw its business written erode from \$2.32 billion in 2024 to \$2.14 billion, a reduction of \$184 million.

Eighty 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 progress quickly due to the hot and dry conditions that were still present in late June. Municipal Hail saw claims filed for storms occurring on 17 of 30 days in June totalling losses of \$9.7 million on 641,109 acres. The heaviest damage occurred on June 26th with hail falling in 27 Rural Municipalities across the province, producing \$3 million in losses on 101,342 acres.

Cancellations received by SMHI increased in 2025, totalling 63 – compared to the previous year's total of 32. These cancellations were received from 19 RM's for a total of 41,645 acres cancelled, reducing the 2025 hail taxes by \$224,917. The majority of the cancellations were due to drought and poor germination.

Moving into July with limited rainfall, soil moisture levels continued to decline in many areas. Producers in the driest areas experienced inconsistent staging in some of their crops. These crops developed rapidly due to stress caused by the prolonged dry conditions. Other parts of the province welcomed rainfall and warm temperatures which allowed crops to progress nicely. Towards the end of July, rain fell across much of the province which was a positive sign for many producers. In some areas, the rain came just in time to carry crops forward through flowering and grain fill, while in others the rain was too late to make a difference. Hail activity in July was quiet, producing storms on only 21 of 31 days in the month, when in the past, 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 550,481 acres with losses totalling \$18.1 million. The largest losses were recorded on July 19th into the 20th spanning 44 RM's with a collective loss amount of \$7.1 million.

Harvest efforts commenced for early seeded crops in late July into early August. Although, progress became slow due to scattered rain showers and thunderstorms. Humid mornings across the province made for short harvest days and by mid-August, harvest progress was at 12 percent complete, which was behind the five and ten-year average.

Hail activity in August was relatively normal with hail falling on 26 of 31 days. The volume and severity of those storms produced losses of \$47.9 million on 1,167,078 acres and three major storm dates in the month. The first of which came on August 8th causing \$5.7 million in losses on 159,681 acres, with the hardest hit area being the south-central part of the province. On August 13th, another major storm date would occur with claims filed on 260,249 acres totalling losses of \$9.4 million with the majority being located in Alberta moving into the northwest side of the province. We saw our largest storm of the season on August 20th which moved fiercely across the northern half of the province. The RM's of Aberdeen, No. 373, Hoodoo, No. 401, Laird, No. 404, North Battleford, No. 437 and Battle River, No. 438 were hit hardest, and our adjusting staff saw extreme damage. This storm spanned across 68 RM's boasting \$24 million in losses over 428,046 acres with those five RM's accounting for \$11.1 million in damages across 166,934 acres. On this day, we also saw a smaller storm do a large

amount of damage in the RM's of Abbey, No. 229 and Sceptre, No. 230 with \$5.2 million in losses over 63,095 acres.

By the beginning of September, 23 percent of the crop was harvested, which was well behind the five-year average of 40 percent. Hail activity was busier than normal in September with claims being filed for storms on 16 of 30 days in the month producing \$11.5 million in losses on 273,365 acres. The most notable September storm came on the 12th which spanned over 47 RM's. This storm produced \$4.3 million in damages over 90,571 acres. Harvest efforts were picking up by the middle of the month due to warm, dry conditions with 84 percent of this year's crop in the bin, still behind the five-year average of 92 percent.

By mid-October harvest was essentially complete with 99 percent of the crop cleaned up. Harvest went well overall despite the challenges of intermittent rain, hailstorms and heavy winds. Growing conditions varied throughout the province this year. Some crops were seeded into dry soil and did not receive sufficient rainfall until late June or July, causing uneven emergence and crop staging in the early season. Other areas had timely rainfall, producing favourable conditions for much of the year. Once again, many producers headed into winter hoping topsoil moisture conditions would improve for the coming spring.

In total, the hail season produced 81 storms, which was slightly below the five-year average of 85 storms. Total acres damaged was 2,635,046, coming in above the five-year average of 2,514,931. The 2025 hail season was similar to that of 2024.

Early June storms started much like the year before and saw our field staff out sooner than normal. July saw fewer storms, again, just like the year prior, which gave our adjusting staff a chance to catch up. The last storm of the year was reported on October 5th. With the 2025 hail season coming to a close, late storms coupled with humid mornings caused harvest to drag on. Despite the prolonged season our team found a way to finish the job and had all claims adjusted by the end of the second week of October.

Fire claims for the season totalled 24, which was down from 37 fire claims recorded the previous year. Indemnity paid for fire claims amounted to just over \$134,110.

SMHI hail tax collections totalled 97 percent of the 2025 taxes levied compared to 92 percent for 2024.

During the period 1917 through 2025, Municipal Hail has paid indemnities amounting to 76.9¢ of each hail tax dollar levied.

This was the 11th year the Association provided crop hail coverage through AMHI for producers in Alberta and Manitoba. In Alberta, 564,400 acres were insured, producing \$6.7 million of premium. In Manitoba, 1,039,526 acres were insured, which produced \$8.6 million of premium income. The losses paid in these two provinces totalled \$7.4 million, with the loss to premium ratio coming in at just over 48 percent combined.

In Municipal Hail's 109 years of providing crop hail protection for farmers and landowners, the Association has provided \$67.1 billion of coverage and paid losses totalling \$2.2 billion. This year, the Association provided \$3.69 billion of coverage and paid losses of \$87.2 million.

Directors John Wagner of Maple Creek, Foster Warriner of Alameda and Pauline Ziehl Grimsrud of Torquay were elected for an additional three-year term at the 2025 Annual Meeting.

The SMHI Indemnity limit will be further reduced in 2026 as a direct result of the formula established by the Ministry of Agriculture, not a decision made by the Municipal Hail Board of Directors. This reduction is necessary to ensure compliance with the MHI regulations which determine the limit based on specific criteria. The Board no longer has discretion in this matter, as the formula created by the Ministry dictates the limit.

The 2026 limit set by the formula prescribed in the MHI Regulations will be \$375, which is 12% or \$50 less than it was in 2024. This is the second year in a row that Municipal Hail has been forced to reduce the coverage limit available from SMHI, which is the most efficient platform for landowners to secure their coverage.

Since the formulas establishment in 2016, the SMHI Board has consistently engaged in discussions with the Ministry of Agriculture, striving to address concerns regarding regulatory changes that impact indemnity limits. The Board remains committed to advocating for policies that prevent reductions in indemnity and to ensuring that coverage limits are aligned with market demands. These ongoing efforts underscore a dedication to safeguarding landowners' interests and maintaining adequate crop protection through suitable indemnity levels.

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 2025.

statistics

The following is a comparison of the years 2025 and 2024:

	SMHI	AMHI	PMHI	2025	2024
Total Risk	\$2,135,334,443	\$1,258,690,894	\$294,853,810	\$3,688,879,147	\$4,017,956,530
Hail Taxes/Premiums	\$81,385,579	\$44,217,757	\$11,943,159	\$137,546,495	\$145,727,989
Indemnity Paid	\$51,524,252	\$29,127,169	\$6,564,598	\$87,216,019	\$103,626,331
Average Charged Rate	3.81%	3.51%	4.05%	3.73%	3.63%
Number of Claims	3,809	1,261	230	5,300	5,512
Loss to Risk	2.41%	2.31%	2.23%	2.36%	2.58%
Loss to Taxes/Premiums	63.31%	65.87%	54.97%	63.41%	71.11%
Average Cost per Claim	\$13,527	\$23,098	\$28,542	\$16,456	\$18,800

SMHI insured 10,837,792 acres in 2025, compared to 11,144,763 acres in 2024. The basic indemnity available in 2025 was \$30 per acre and the maximum was \$400 per acre.

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

	2025	2024
Assessment Applications (new)	331	514
Withdrawal Applications	627	631

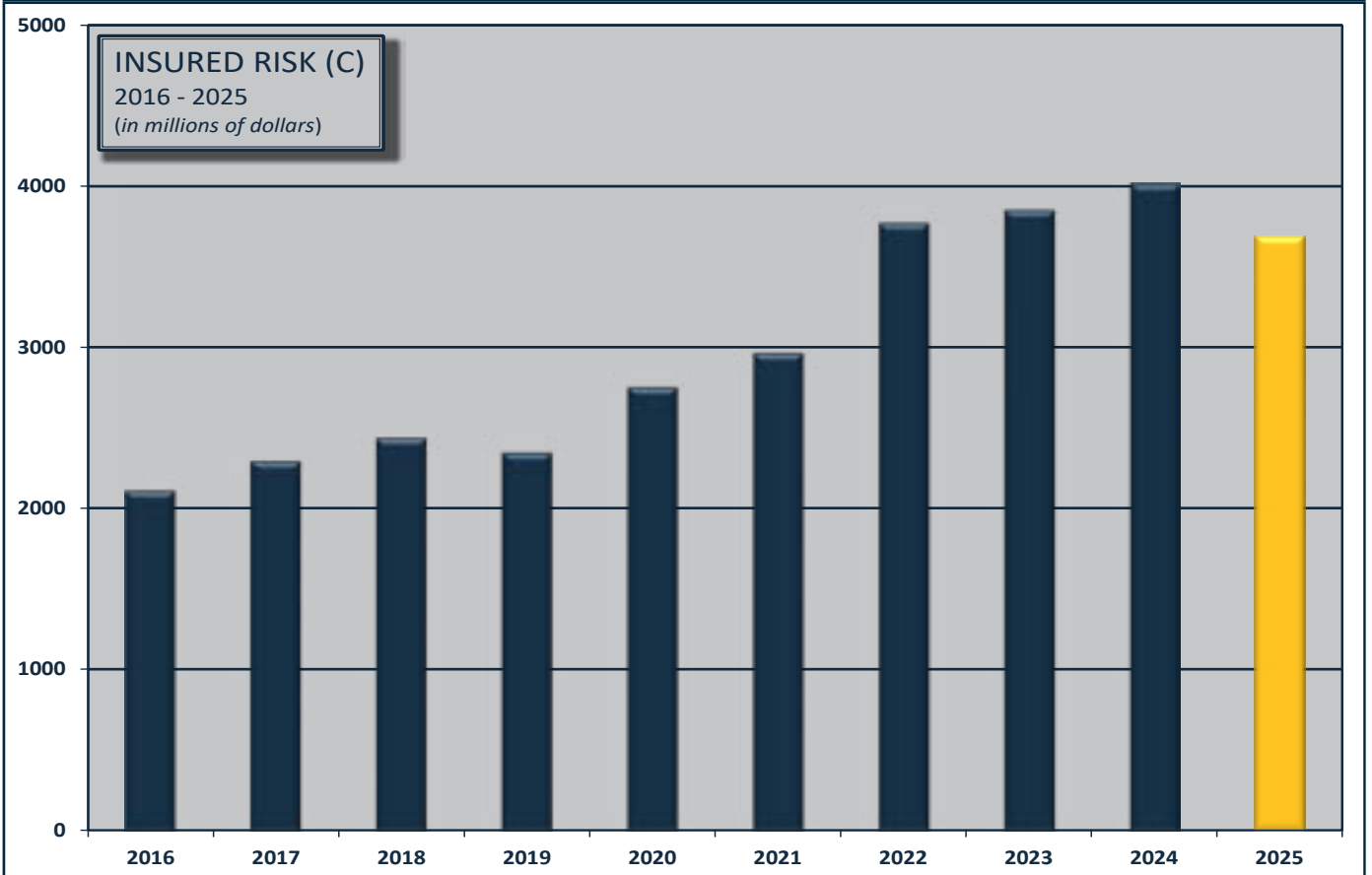
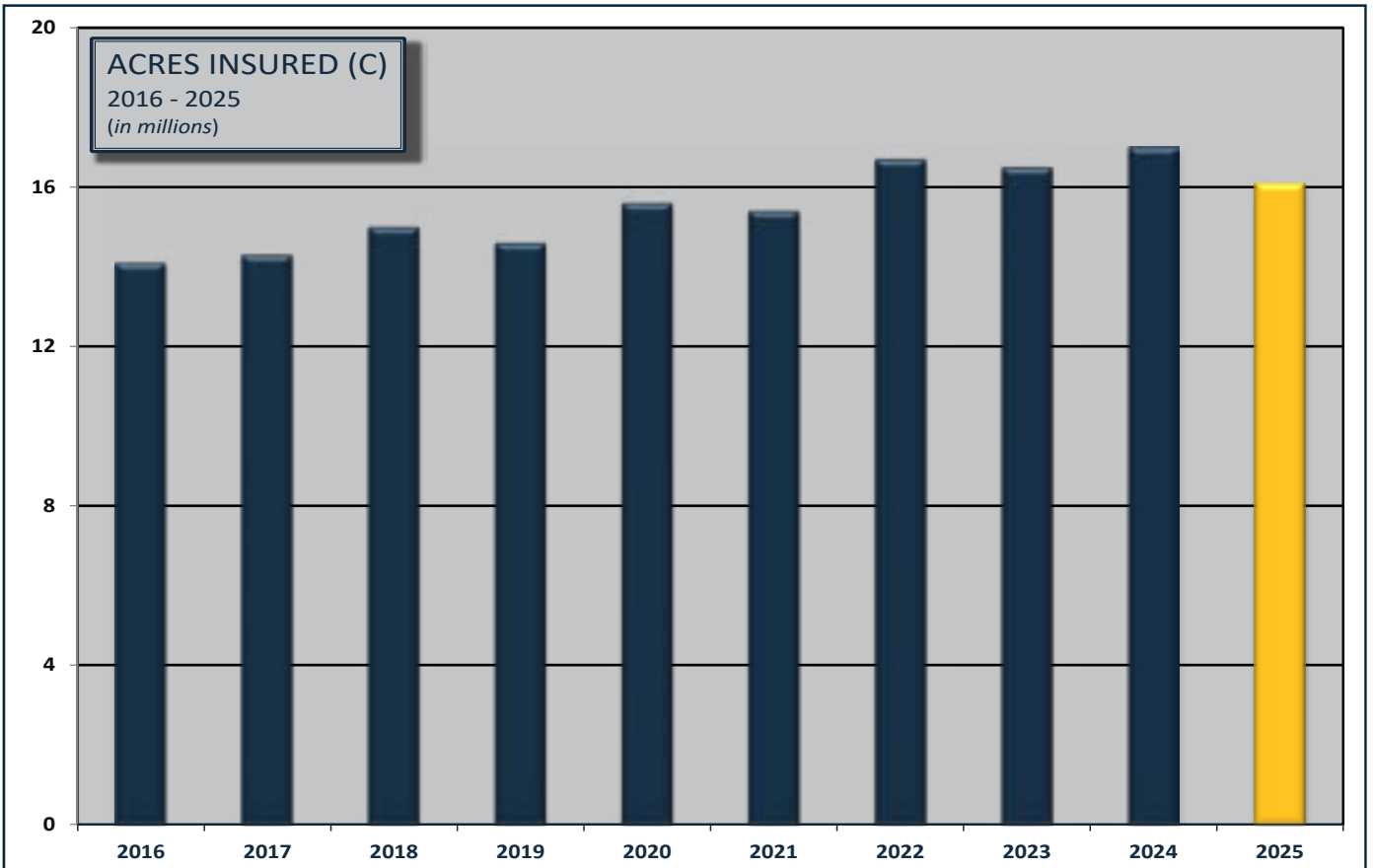
The terms of the following Board members expire at this Annual Meeting:

JASON FRIESEN

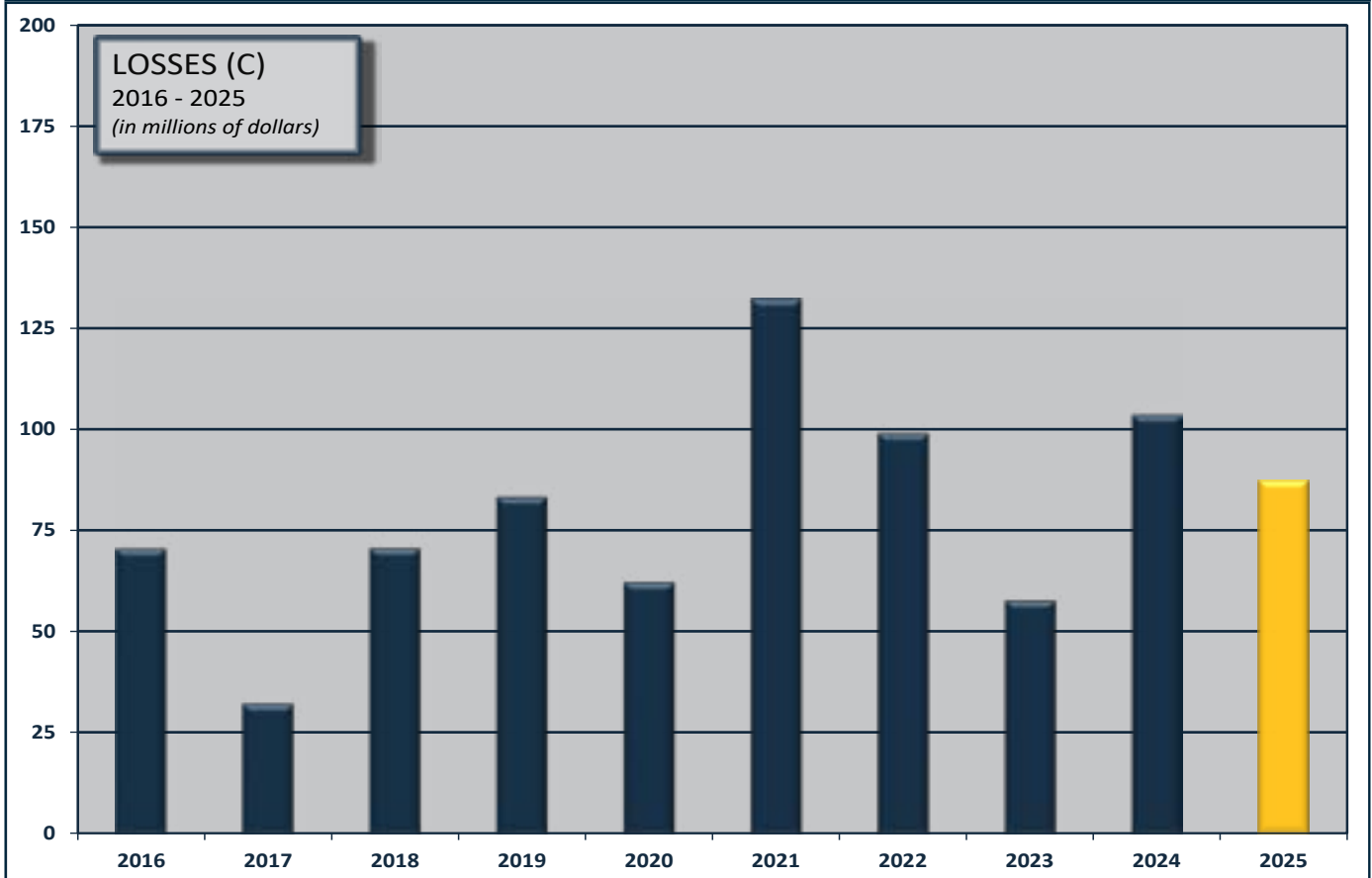
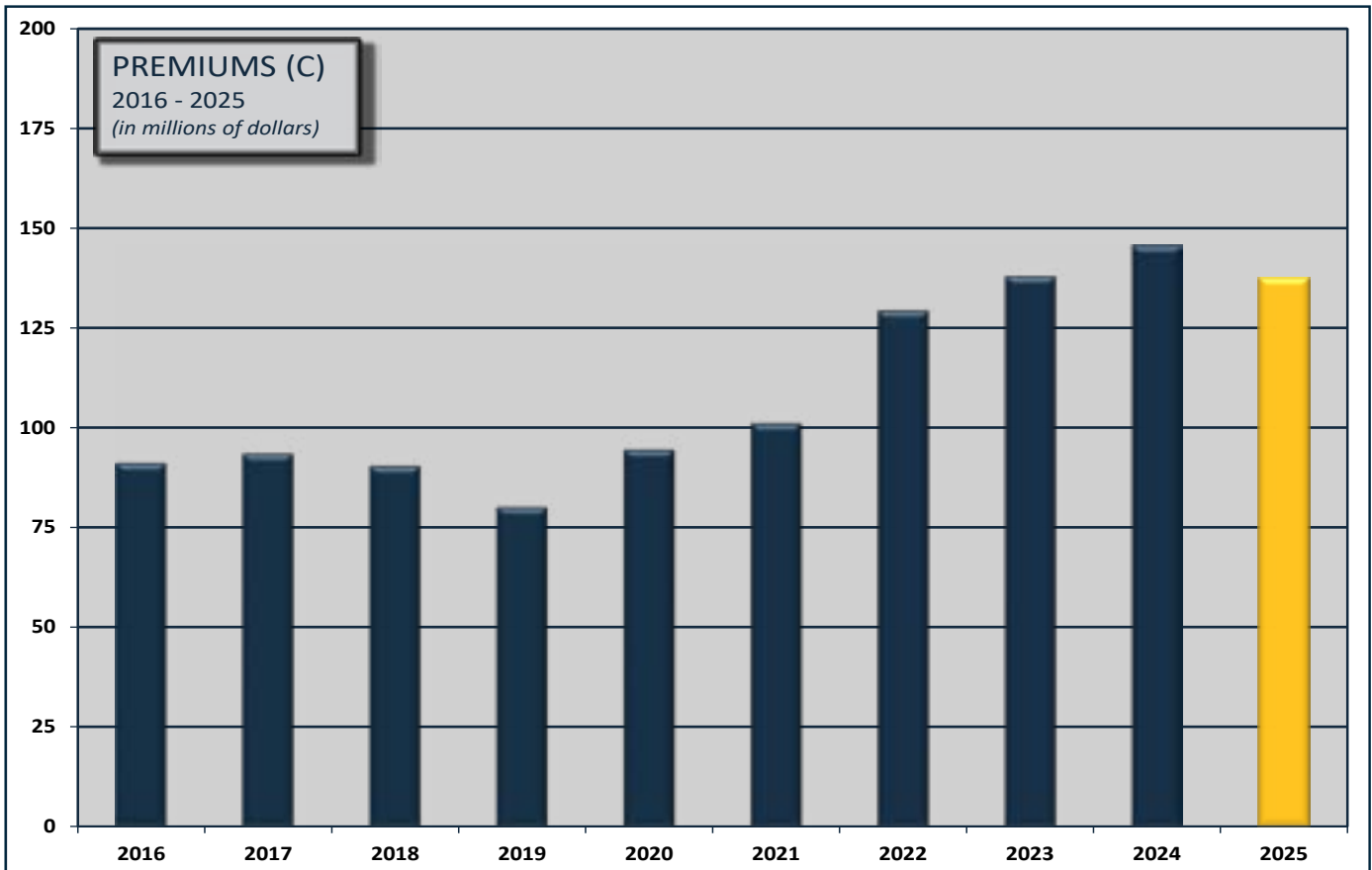
MURRAY PURCELL

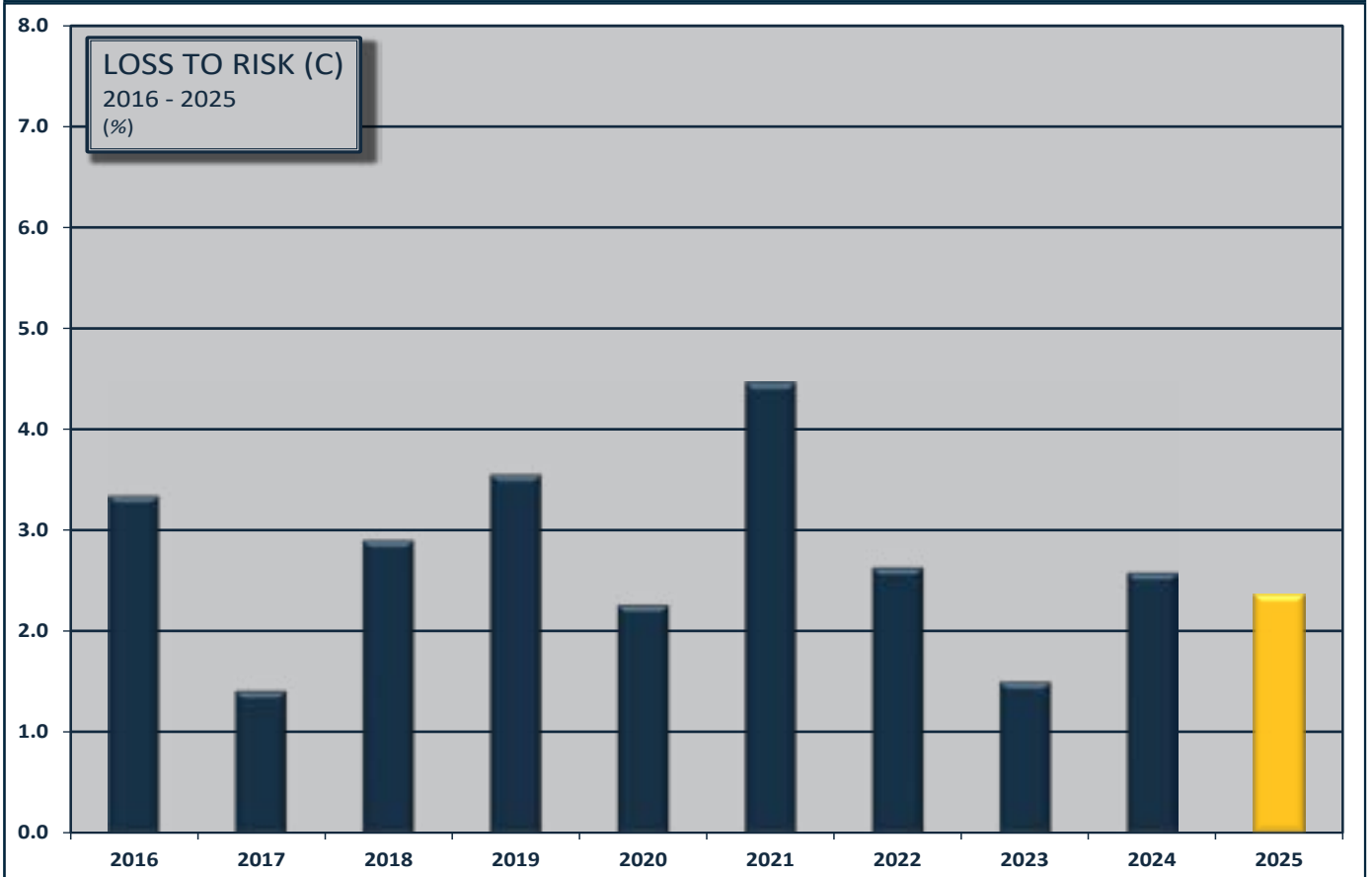
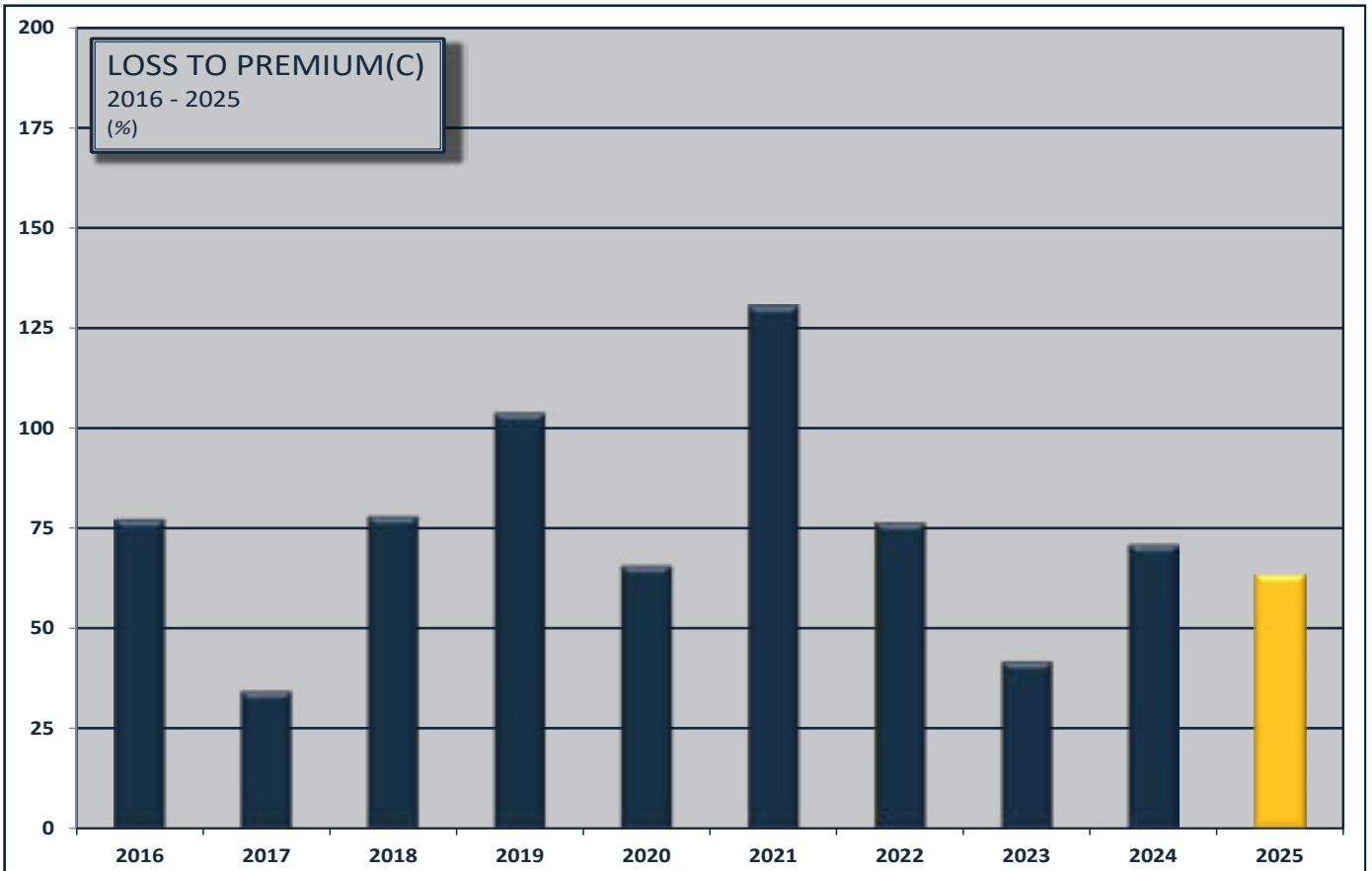
JOZELL ROBBERSTAD

Regina, Saskatchewan
February 25th, 2026



Municipal Hail
2025 Annual Report







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INDEPENDENT AUDITOR'S REPORT

To the Directors of Saskatchewan Municipal Hail Insurance Association

Opinion

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

- the consolidated statement of financial position as at December 31, 2025
- 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

(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 Association as at December 31, 2025, 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 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.

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.

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

Regina, Canada
February 25, 2026

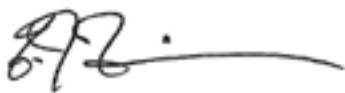
consolidated statement of financial position

as at December 31:

	<u>2025</u>	<u>2024</u>
Assets		
Cash	\$ 66,723,268	\$ 71,648,132
Investments (note 4)	245,522,716	205,955,201
Accrued interest on investments	1,353,506	1,255,390
Accounts receivable	14,813,398	15,229,602
Capital assets (note 5)	3,606,796	3,357,043
	<u>\$ 332,019,684</u>	<u>\$ 297,445,368</u>
Liabilities and Net Assets		
Liabilities:		
Deferred indemnities	\$ 7,474,030	\$ 13,744,270
Accounts payable	1,842,600	2,923,649
	<u>9,316,630</u>	<u>16,667,919</u>
Net Assets:		
Hail insurance reserve	29,555,000	23,850,000
Unrestricted	293,148,054	256,927,449
	<u>322,703,054</u>	<u>280,777,449</u>
Contingencies (note 9)	<u>\$ 332,019,684</u>	<u>\$ 297,445,368</u>

See accompanying notes.

On behalf of the Board.



Jason Friesen, Director



Foster Warriner, Director

consolidated statement of operations

Year ended December 31, 2025 with comparative figures for 2024

	<u>2025</u>	<u>2024</u>
Revenue:		
Assessments and premiums	\$ 137,546,495	\$ 145,727,989
Discounts	(3,993,291)	(4,178,926)
Penalties added	142,906	114,609
	<u>133,696,110</u>	<u>141,663,672</u>
Expenses:		
Indemnities	87,216,019	103,626,331
Reinsurance	14,002,288	16,185,973
Payments to RMs and agents	7,886,097	8,510,754
Administration	7,446,396	7,771,586
Adjustment costs	3,128,997	3,317,228
	<u>119,679,797</u>	<u>139,411,872</u>
Net underwriting income	<u>14,016,313</u>	<u>2,251,800</u>
Investment income (note 6)	27,909,292	25,710,077
Excess of revenue over expenses	<u>\$ 41,925,605</u>	<u>\$ 27,961,877</u>

See accompanying notes.

consolidated statement of changes in net assets

Year ended December 31, 2025 with comparative figures for 2024

	<u>2025</u>	<u>2024</u>
Hail insurance reserve:		
Balance, beginning of year	\$ 23,850,000	\$ 21,200,000
Allocation from unrestricted net assets	5,705,000	2,650,000
	<u>29,555,000</u>	<u>23,850,000</u>
Balance, end of year		
Unrestricted net assets:		
Balance, beginning of year	256,927,449	231,615,572
Excess of revenue over expenses	41,925,605	27,961,877
Allocation to hail insurance reserve	(5,705,000)	(2,650,000)
	<u>293,148,054</u>	<u>256,927,449</u>
Balance, end of year		
Total net assets	<u>\$ 322,703,054</u>	<u>\$ 280,777,449</u>

See accompanying notes.

consolidated statement of cash flows

Year ended December 31, 2025 with comparative figures for 2024

	<u>2025</u>	<u>2024</u>
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 41,925,605	\$ 27,961,877
Items not involving cash:		
Amortization of capital assets (note 5)	624,609	293,552
Gain on sale of investments (note 6)	(852,139)	(1,328,457)
Change in fair value of investments (note 6)	(15,743,491)	(11,667,907)
Changes in non-cash operating items:		
Accrued interest on investments	(98,116)	(158,598)
Accounts receivable	416,204	(3,954,958)
Deferred indemnities	(6,270,240)	6,812,232
Accounts payable	(1,081,049)	651,184
	<u>18,921,383</u>	<u>18,608,925</u>
Investing:		
Proceeds on sale or maturity of investments	39,826,652	36,369,461
Purchase of investments	(62,798,537)	(37,167,867)
Purchase of capital assets	(874,362)	(610,358)
	<u>(23,846,247)</u>	<u>(1,408,764)</u>
(Decrease) increase in cash	<u>(4,924,864)</u>	<u>17,200,161</u>
Cash, beginning of year	71,648,132	54,447,971
Cash, end of year	<u>\$ 66,723,268</u>	<u>\$ 71,648,132</u>

See accompanying notes.

notes to consolidated financial statements

December 31, 2025

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, 2025

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 \$5,705,000 to the Hail Insurance Reserve in 2025 to bring the balance at December 31, 2025 to \$29,555,000.

(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, 2025

4. Investments:

The Association's investments are as follows:

	2025	2024
Guaranteed investment certificates (GICs)	\$ 22,177,227	\$ 16,269,555
Bonds, debentures and notes:		
Federal government	4,542,791	5,077,744
Provincial government	3,934,853	3,538,886
Corporate	60,419,708	56,020,676
Fixed income funds ¹	26,727,105	17,170,905
	117,801,684	98,077,766
Equities	79,482,390	65,677,628
Mutual funds	3,724,033	2,607,267
Pooled funds	25,678,473	23,242,134
Other investments	18,836,136	16,350,406
	\$ 245,522,716	\$ 205,955,201

¹Includes bonds, debentures and notes

5. Capital assets:

	2025		2024	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 891,465	\$ -	\$ 891,465	\$ 891,465
Building	2,050,542	1,019,366	1,031,176	1,042,848
Intellectual property	15,874	7,668	8,206	9,734
Furniture and equipment	881,129	680,057	201,072	308,388
Software	4,168,375	2,693,498	1,474,877	1,104,608
	\$ 8,007,385	\$ 4,400,589	\$ 3,606,796	\$ 3,357,043

Amortization expense of \$624,609 (2024 - \$293,552) 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, 2025

6. Investment income:

	2025	2024
Investment income	\$ 11,313,662	\$ 12,713,713
Gain on sale of investments	852,139	1,328,457
Change in fair value of investments	15,743,491	11,667,907
	\$ 27,909,292	\$ 25,710,077

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, 2025

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, 2025 is limited to the fair value of the financial assets summarized as follows:

	2025	2024
	Fair value	Fair value
Cash	\$ 66,723,268	\$ 71,648,132
Investments ¹	117,801,684	98,077,766
Accrued interest on investments	1,353,506	1,255,390
Accounts receivable	14,813,398	15,229,602
	\$ 200,691,856	\$ 186,210,890

¹Includes 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, 2025

8. Financial risk management (continued):

Credit ratings for investments are as follows:

Credit Rating	2025		2024	
	Fair value	Makeup of portfolio (%)	Fair value	Makeup of portfolio (%)
R1	\$ 16,000,000	13.6%	\$ 10,000,000	10.2%
AAA	4,542,791	3.9%	5,077,744	5.2%
AA	11,100,619	9.4%	9,668,351	9.8%
AA-	1,246,380	1.1%	2,113,666	2.2%
A+	8,625,286	7.3%	5,492,038	5.6%
A	18,634,655	15.8%	18,393,728	18.7%
A-	22,199,518	18.8%	20,263,816	20.7%
BBB+	11,269,641	9.6%	8,015,738	8.2%
BBB	2,884,420	2.5%	1,881,780	1.9%
BBB-	45,939	0.0%	-	0.0%
Not rated	21,252,435	18.0%	17,170,905	17.5%
Total	\$ 117,801,684	100.0%	\$ 98,077,766	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 11.7% (2024 - 15.4%) 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, 2025

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:

	2025	2025	2024	2024
Term to maturity (years)	Fair value	Average effective rates	Fair value	Average effective rates
GICs:				
One or less	\$ 8,869,855	4.6%	\$ 7,058,476	4.8%
After one through five	13,307,372	4.1%	9,211,079	4.9%
Bonds, debentures and notes:				
Federal government:				
One or less	-	0.0%	565,953	4.2%
After one through five	2,649,760	3.8%	2,146,224	3.4%
After five	1,893,031	3.4%	2,365,567	3.4%
Provincial government:				
After one through five	3,771,938	3.1%	3,538,886	3.1%
After five	162,915	3.3%	-	0.0%
Corporate:				
One or less	16,221,465	5.6%	19,011,048	5.0%
After one through five	34,663,899	4.5%	33,532,074	4.8%
After five	9,534,344	1.6%	3,477,554	2.1%
Fixed income funds:				
One or less	26,727,105	4.4%	17,170,905	5.1%
	\$ 117,801,684		\$ 98,077,766	

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, 2025

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 \$213,538 (2024 - \$206,965) 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	76.9 cents
Paid Out for Expenses	13.5 cents
Reserve	(0.5) cents
Reinsurance	10.1 cents



SMHI



AMHI



PMHI