

Financial Statements

CANASSURANCE INSURANCE COMPANY

December 31, 2025

CANASSURANCE INSURANCE COMPANY

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Independent Auditor's Report

To the Shareholder of
Canassurance Insurance Company

Opinion

We have audited the financial statements of Canassurance Insurance Company (the "Company"), which comprise the statement of financial position as at December 31, 2025, the statement of net income and comprehensive income, the statement of changes in shareholder's equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance of the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards published by the IASB, 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 consolidated 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 standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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. 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young LLP*¹

February 24, 2026
Montréal, Canada

¹ FCPA auditor, public accountancy permit No. A114960



Appointed Actuary's Report

To the Directors of
Canassurance Insurance Company

I have valued the policy liabilities of Canassurance Insurance Company for its financial statements in accordance with the International Financial Reporting Standards for the year ended December 31, 2025.

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

The valuation is in accordance with the *Québec Insurers Act* and its regulations.



Marie-Andrée Boucher

Fellow of the Canadian Institute of Actuaries

Montréal, Québec

February 24, 2026

CANASSURANCE INSURANCE COMPANY

Statement of Financial Position

as at December 31, 2025

(in thousands of Canadian dollars)

	2025	2024
	\$	\$
Assets		
Investments (Note 6 a))		
<i>At fair value through net profit or loss</i>		
Cash	9,051	13,808
Bonds	119,377	114,345
Investment income receivable	611	632
	129,039	128,785
Accounts receivable (Note 8)	31,276	31,518
Reinsurance contract assets (Note 12)	1,273	2,762
Property and equipment (Note 9)	1,369	2,294
Other assets (Note 10)	10,309	3,543
	173,266	168,902
Liabilities		
Accounts payable, provisions and other liabilities (Note 13)	1,831	2,251
Insurance contract liabilities (Note 12)	84,000	102,236
	85,831	104,487
Shareholder's Equity		
Capital stock (Note 15)	31,818	31,818
Contributed surplus	1,700	1,700
Retained earnings	53,917	30,897
	87,435	64,415
	173,266	168,902

The accompanying notes are an integral part of these financial statements.

On behalf of the Board,


Director


Director

CANASSURANCE INSURANCE COMPANY
Statement of Net Income and Comprehensive Income
Year ended December 31, 2025
(in thousands of Canadian dollars)

	2025	2024
	\$	\$
Insurance revenue	172,438	108,636
Insurance service expenses (Note 16)	(153,667)	(111,285)
Insurance service result before reinsurance contracts held	18,771	(2,649)
Net expenses from reinsurance contracts held	(2,546)	(796)
Insurance service result	16,225	(3,445)
Investment income (Note 6 b))	3,728	3,942
Change in fair value and gains on disposals of investments (Note 6 c))	519	4,400
Net investment income	4,247	8,342
Other income		
Administration revenues (Note 18)	3,095	2,996
Other revenues	357	225
	3,452	3,221
Other expenses		
General expenses (Note 16)	7,150	4,754
Losses (gains) on foreign currency conversion	(43)	41
	7,107	4,795
Income before income taxes	16,817	3,323
Income taxes (Note 14)		
Current	335	250
Deferred	(6,538)	535
	(6,203)	785
Net income and comprehensive income	23,020	2,538

The accompanying notes are an integral part of these financial statements.

CANASSURANCE INSURANCE COMPANY

Statement of Changes in Shareholder's Equity

Year ended December 31, 2025

(in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Retained earnings	Total
	\$	\$	\$	\$
Balance as at January 1, 2024	4,000	1,700	28,359	34,059
Stocks issued (Note 15)	27,818	-	-	27,818
Net income and comprehensive income	-	-	2,538	2,538
Balance as at December 31, 2024	31,818	1,700	30,897	64,415
Net income and comprehensive income	-	-	23,020	23,020
Balance as at December 31, 2025	31,818	1,700	53,917	87,435

The accompanying notes are an integral part of these financial statements.

CANASSURANCE INSURANCE COMPANY

Statement of Cash Flows

Year ended December 31, 2025

(in thousands of Canadian dollars)

	2025	2024
	\$	\$
Cash flows from (used in) operating activities		
Net income	23,020	2,538
Adjustments for:		
Change in deferred income taxes	(6,538)	535
Change in net insurance contract liabilities	(18,236)	1,135
Change in net reinsurance contract assets	1,489	(199)
Change in fair value of investments at fair value through profit or loss	(343)	(3,942)
Losses (gains) on disposals of investments at fair value through profit or loss	(176)	38
Depreciation and amortization	(81)	888
	(865)	993
Net change in other assets and liabilities (Note 17)	(385)	(33,412)
	(1,250)	(32,419)
Cash flows from (used in) investing activities		
Purchases of investments at fair value through profit or loss	(38,438)	(225,450)
Disposals and maturities of investments at fair value through profit or loss	34,931	256,198
Transfer of assets and liabilities (Note 18)	-	120
Net additions to property and equipment	-	(4)
	(3,507)	30,864
Cash flows from (used in) financing activities		
Issuance of shares (note 15)	-	9,152
	-	9,152
Net change for the year	(4,757)	7,597
Cash, beginning of year	13,808	6,211
Cash, end of year	9,051	13,808

Supplemental information on cash flows from operating activities:

Interest received	3,003	948
Dividends and mutual fund distributions received	-	2,511
Income taxes received	328	23

The accompanying notes are an integral part of these financial statements.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

1. Description of the Company

Canassurance Insurance Company (the “Company”), governed by the *Business Corporations Act* and *An Act Respecting Insurance of Québec*, operates mainly in the fields of life, health, travel and group insurance.

The Company is a wholly owned subsidiary of Canassurance Financial Corporation (the “Parent Company”), a Canadian holding company wholly owned by Canadian Hospital Service Association (the “Ultimate Parent Company”).

The head office of the Company is located at 1981, McGill College Avenue, Suite 105, Montréal, Québec, Canada, H3A 0H6.

The publication of the Company’s audited financial statements for the year ended December 31, 2025, including the comparative financial statements and the notes thereto, was approved by a resolution of the Board of Directors on February 24, 2026.

2. Material Accounting Policy Information

The financial statements of the Company have been prepared in accordance with IFRS accounting standards published by the International Accounting Standards Board (“IASB”). These financial statements are expressed in Canadian dollars, unless otherwise specified.

The significant accounting policies used in the preparation of these financial statements are summarized below. These accounting policies have been applied to all periods presented in the financial statements.

Basis of valuation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recorded at fair value and insurance contract liabilities/assets and reinsurance contract assets/liabilities, which are measured according to the method described below. Historical cost is generally the fair value of the consideration ceded to acquire assets. No information on the fair value of financial instruments is presented when the carrying amount corresponds to a reasonable approximation of fair value.

Use of estimates

The preparation of financial statements in accordance with IFRS accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the year. Account balances with a high degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are described in Note 3.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Transfer of assets and liabilities between related parties

When assets and liabilities are transferred between related parties that constitute a business, the Company may elect to apply either the pooling of interests method or the acquisition method, provided that the transaction has commercial substance. The Company has elected to apply the pooling of interests method to all related party transfers without retrospective restatement of prior periods or transfers of shareholder's equity items. The Company recognizes assets and liabilities at their carrying amount and no goodwill results from the transfer. Any difference between the consideration transferred and the net assets acquired is reflected in shareholder's equity.

Insurance and reinsurance contracts

Classification

An insurance contract is a contract whereby one party (the "insurer") accepts a significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if an uncertain specified future event (the "insured event") adversely affects the policyholder. A significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of contracts for specific but uncertain future events that will adversely affect the policyholders but for which the amounts and occurrence are unknown.

Administrative service contracts are contracts for which the Company provides travel insurance assistance services.

A reinsurance treaty is a type of insurance contract that is issued by an insurer (the "reinsurer") to compensate another insurer (the "ceding company") for losses on one or more contracts issued by the ceding company.

Presentation of insurance services in the statement of net income (loss)

The Company reports the income (loss) from its insurance services, including insurance revenue, insurance service expenses and net expenses for reinsurance contracts held.

Insurance revenue

Insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the amount of expected premium receipts to the service periods under insurance contracts based on the passage of time.

Insurance service expenses

Insurance service expenses consist primarily of incurred claims and other insurance expenses as well as insurance acquisition cash flows.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Insurance and reinsurance contracts (continued)

Net expenses from reinsurance contracts held

Net expenses from reinsurance held include amounts recoverable from reinsurers and an allocation of reinsurance premiums paid. The Company records reinsurance cash flows that are contingent on claims as part of the amounts recoverable from reinsurers and accounts for cash flows not contingent on claims as a reduction of premiums payable to the reinsurer.

Separating components from insurance contracts

The Company assesses its insurance and reinsurance contracts to determine whether they contain distinct components which must be accounted for under an IFRS other than 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. The Company’s insurance and reinsurance contracts do not include any distinct components that require separation.

Level of aggregation and recognition

Under IFRS 17, the level of aggregation of insurance and reinsurance contracts must be determined for presentation, measurement and recognition purposes. The level of aggregation is determined firstly by dividing the contracts into portfolios. Portfolios comprise groups of contracts with similar risks that are managed together. Portfolios are then divided into two groups based on expected profitability at inception: onerous contracts and other contracts. The groups are then divided into annual cohorts based on the year the contracts were issued.

Contracts are aggregated into groups on initial recognition and are not reassessed subsequently.

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

With the exception of travel insurance contracts, all non-onerous contracts are recognized at the beginning of the coverage period, which is the date the first premium payment is due. For travel insurance contracts, the date of initial recognition is the date the first payment is due. If the contracts are onerous, the date of initial recognition is the date the group becomes onerous.

Reinsurance contracts that provide proportionate coverage are recognized at the beginning of the coverage period of the group of reinsurance contracts held or at initial recognition of any underlying contract, whichever is later. Reinsurance contracts that provide non-proportionate coverage are recognized from the beginning of the coverage period of the group.

The Company adds new contracts to the group in the reporting period in which those contracts meet one of the criteria set out above.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Insurance and reinsurance contracts (continued)

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 substantive obligation to provide insurance contract services ends when the Company has the practical ability to reassess the risks of:

- The particular policyholder and, as a result, can set a price or level of benefits that fully reflects these risks,
- or
- The portfolio of insurance contracts and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio and the pricing of the premiums up to the date when the premiums are reassessed does not take into account the risks that relate to future periods.

Initial measurement – Insurance contracts

The Company has chosen to apply the premium allocation approach (“PAA”) to all insurance contracts, since their coverage period is less than 12 months. This simplified model may be used when the contract boundary is one year or less or when the Company reasonably expects that the measurement of the liability for remaining coverage (“LRC”) of the group under this simplified approach would not differ materially from the LRC of the group under the general measurement model (“GMM”). Under the PAA, the LRC of non-onerous contracts corresponds to premiums received, at initial recognition.

A group of contracts is onerous at initial recognition if the fulfilment cash flows are a net outflow. In this case, a liability for the net cash outflow is recognized as a loss component, and a loss is recognized in the statement of net income and amortized over the coverage period.

For all contracts, the period between the date the premium becomes due and the date the related portion of the insurance contract coverage is provided is less than 12 months. Accordingly, the Company has elected not to adjust the LRC based on the time value of money and the effect of financial risk.

Due to the nature of the contracts, the Company has not included an adjustment for non-financial risk in the measurement of the insurance contract liability. However, a risk adjustment is included in the measurement of the liability for claims incurred.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Insurance and reinsurance contracts (continued)

Initial measurement – Reinsurance contracts

The Company measures its reinsurance contract assets for a group of reinsurance contracts that it holds using the same method as for the insurance contracts that it issues. However, the method is adapted to reflect the characteristics of reinsurance contracts held that differ from insurance contracts issued.

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 in the asset for remaining coverage for a group of reinsurance contracts held, reflecting the recovery of the recognized loss.

The Company calculates the loss-recovery component by multiplying the loss component recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts that 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 of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held when some contracts in the underlying contract 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.

Subsequent measurement – Insurance contracts

The carrying amount of a group of insurance contracts measured under the PAA is the sum of the LRC and the liability for incurred claims (“LFIC”). The LFIC also includes the Company’s obligation to pay other incurred insurance expenses. The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period, plus premiums received during the period, minus the amount recognized as insurance revenue for services provided during the period.

The loss component included in the LRC when contracts are onerous is established as the excess of 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.

The Company estimates the LFIC 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, and they reflect current estimates from the perspective of the Company. The Company has elected not to adjust the LFIC based on the time value of money and the effect of financial risk, since the time between the date of the claim and the time it is paid is less than 12 months.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Insurance and reinsurance contracts (continued)

Subsequent measurement – Insurance contracts (continued)

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Given that the coverage period for insurance contracts issued by the Company is less than 12 months, the Company has chosen to recognize insurance acquisition costs in net income when incurred.

Subsequent measurement – Reinsurance contracts

Reinsurance contracts held are subsequently measured using the same method as for insurance contracts issued, adapted to reflect the characteristics of reinsurance contracts held.

A loss-recovery component determined by the Company 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 Company expects to recover from the group of reinsurance contracts held.

Presentation in the statement of financial position

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.

Revenue recognition – other than insurance revenue

Investment transactions are recognized on the transaction date and the resulting revenues are recognized using the accrual method of accounting.

For investments at amortized cost, interest income is recognized based on the number of days the investment was held during the fiscal year and calculated using the effective interest method. Interest income from investments classified at amortized cost is recognized in “Investment income”.

For interest-bearing investments at fair value through profit or loss (“FVTPL”), interest income is recognized using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded when a right to payment has been established. Interest and dividend income from investments at FVTPL are recognized in “Investment income”. Gains and losses on disposals of investments are recognized using the average cost method.

Administration revenues are recognized as earned when collection is reasonably assured.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Financial instruments

Recognition

Financial instruments are initially recognized on the trade date and are measured at fair value. The related transaction costs are recognized in net income as incurred.

Financial assets

The Company classifies all these financial assets depending on the business model under which they are held and on the contractual terms of their cash flows. The classification categories are as follows:

- Financial assets at amortized cost
- Financial assets, including equity instruments, mandatorily measured or designated at fair value through profit or loss (“FVTPL”)
- Financial assets, including equity instruments, mandatorily measured or designated at fair value through other comprehensive income (“FVOCI”)

The Company has no financial assets measured or designated at FVOCI.

Business model assessment

The Company determines its business model at the level that best reflects its management of groups of financial assets to achieve its business objectives. The information considered includes:

- The stated policies and objectives for the portfolio, including whether management’s strategy is mainly to earn interest income, maintain a given interest rate profile, match the duration of the financial assets to the duration of any related liabilities or expected cash outflows, or realize cash flows through the sale of assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company’s key management personnel;
- The risks that affect the performance of the financial assets held within that business model and, in particular, the way those risks are managed;
- The frequency, volume, value and timing of sales in prior periods, the reason for such sales and expectations about future sales activity.

Criterion of cash flows that are solely payments of principal and interest

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For the purpose of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Financial instruments (continued)

Financial assets (continued)

Criterion of cash flows that are solely payments of principal and interest (continued)

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. Interest can include a profit margin that is consistent with a basic lending arrangement.

To determine whether the contractual cash flows are solely payments of principal and interest, the Company assesses whether a financial asset has contractual terms that could change the timing or amount of the contractual cash flows such that the asset would not meet this condition. To do this, the Company considers the following:

- Contingent events that could change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that limit the Company's claim to cash flows from specified assets;
- Features that modify the consideration for the time value of money.

Financial assets at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company recognizes guaranteed investment certificates, accounts receivable, investment income receivable and other assets at amortized cost.

Financial assets measured at fair value through profit or loss

Financial assets measured at FVTPL are those that are managed within a fair value business model or for which the business model is neither to collect contractual cash flows nor, both to collect contractual cash flows and sell the financial assets. In addition, at initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. This class includes financial assets for which the cash flows are not solely payments of principal and interest.

Cash and short-term investments, and bonds are recorded as measured at fair value through profit or loss.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement

Financial assets at amortized cost

After their initial recognition, financial assets are measured at amortized cost, using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate.

Financial assets measured at fair value through profit or loss

Financial assets measured at FVTPL are recorded at fair value in the statement of financial position. Changes in fair value are recognized in the statement of net income.

Reclassification of financial assets

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of or terminates a business line.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments that are not held at fair value through profit or loss.

ECLs are recognized in two stages. When the credit risk of the financial asset has not increased significantly since initial recognition, ECLs are recognized for credit losses resulting from default events that are possible within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

The Company calculates ECLs based on scenarios for measuring the expected cash shortfalls, discounted at an appropriate effective interest rate. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with a contract and the cash flows that the Company expects to receive.

As at December 31, 2025 and 2024, the Company did not record any losses or allowances for ECLs.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. The Company calculates depreciation using the straight-line method with a deduction for the residual value. The amortization period is based on the following estimated useful life:

Computer equipment	5 years
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Significant estimates regarding the residual value and useful life are reviewed as needed, but at least once a year. Any change represents a modification of an accounting estimate and must be accounted for prospectively.

Impairment of non-financial assets

Property and equipment, and intangible assets subject to depreciation and amortization are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. The recoverable amount of an asset or a cash-generating unit is the higher value of its fair value less costs to sell and its value in use. The value in use is the present value of expected future cash flows of an asset or cash-generating unit. An impairment loss must be recognized in the statement of net income when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. In such cases, the impairment loss is the excess of the carrying amount of the asset or the cash-generating unit over its recoverable amount.

An impairment loss included in the statement of net income may be reversed if, during a subsequent period, the fair value of the asset increases and such increase can be related objectively to an event occurring after the recognition of the impairment loss. The recovery must not result in the carrying amount of the asset exceeding the amortized cost that would have been obtained at the time of reversal of the impairment loss if the impairment loss had not been recognized. The amount of the reversal is included in the statement of net income.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

2. Material Accounting Policy Information (continued)

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, the income tax expense is equal to the total amount of income taxes payable and deferred income taxes included in the calculation of income.

Current income taxes are the expected amount of income taxes payable in respect of taxable income for the year under the tax laws and tax rates enacted or substantively enacted at the date of the financial statements, and any adjustment for income taxes payable for previous years.

Deferred income tax assets and liabilities are determined based on temporary differences between the carrying amount and tax basis of assets and liabilities, calculated using tax laws and tax rates enacted or substantively enacted that will apply at the date the temporary differences are expected to reverse.

A deferred income tax asset is recognized for all deductible temporary differences to the extent it is probable that taxable income, against which these deductible temporary differences may be deducted, will be available in the future. Deferred income tax assets or liabilities are offset only when the Company has the right and intention to offset tax assets or liabilities arising from the same tax authorities.

Translation of transactions in foreign currencies

The financial statements of the Company are presented in Canadian dollars, which is also its functional currency, i.e., the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are translated to the functional currency at the exchange rates prevailing at the date of the transaction. At the end of each period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates in effect at the statement of financial position date.

Resulting exchange differences from the translation of monetary items classified as fair value through profit or loss, held-to-maturity, loans and receivables and financial liabilities are recorded in the statement of net income. Resulting exchange differences from the translation of financial instruments classified as available for sale are recorded in the consolidated statement of comprehensive income.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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(in thousands of Canadian dollars)

3. Significant Estimates, Assumptions and Judgments

Significant estimates, assumptions and judgments are assessed on an ongoing basis and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Company and the likelihood of which is reasonable in the circumstances.

The Company makes estimates and assumptions about the future, including the financial impacts of the global pandemic and uncertainty about economic environment and inflation rate. The economic and inflation assumptions have little impact on the measurement of current liabilities. Actual results could differ from those estimates. Estimates, assumptions, and judgments that have a risk of causing a significant adjustment to carrying amounts of assets and liabilities in the financial statements are as follows:

- Fair value of investments (Notes 2 and 6 d));
- Classification and measurement of insurance contracts issued and reinsurance contracts held (Note 12);
- Pension plans and other retirement benefits (Note 18).

4. Changes in Significant Accounting Policies

Future changes in significant accounting policies

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1, *Presentation of Financial Statements*, and carries forward several of its requirements.

IFRS 18 establishes a defined structure for the statement of income (loss) by requiring the classification of revenue and expenses in separate defined categories and the presentation of new subtotals to improve comparability. It requires specific information about management-defined performance measures, which consist of subtotals of revenue and expenses disclosed outside the financial statements, to be presented in a single note to the financial statements to improve the transparency of these management-defined performance measures. It provides guidance on the classification of information in the primary financial statements or the notes.

The requirements of the IFRS 18 are effective for annual periods beginning on or after January 1, 2027, to be applied retrospectively. Early adoption is permitted. The Corporation is currently assessing the impact of this standard on its financial statements.

In May 2024, the IASB issued an amendment to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures*.

The *Amendments to the Classification and Measurement of Financial Instruments* offer an accounting policy choice for the derecognition of financial liabilities settled using electronic payment systems, clarify the guidance on the assessment of the characteristics and resulting classification of certain types of financial assets and introduce disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments referencing contingent events.

The requirements of this amendment are effective for annual periods beginning on or after January 1, 2026, to be applied on a modified retrospective basis. Early adoption is permitted. The Corporation is currently assessing the impact of this amendment on its financial statements.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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5. Role of the Appointed Actuary and Independent Auditor

The appointed actuary is mandated by the Board of Directors and their responsibility is to establish the insurance contract liability annually according to the standards of the Canadian Institute of Actuaries and under IFRS. In determining the insurance and reinsurance contract assets and liabilities, the appointed actuary must make assumptions as to mortality rates, expenses and other contingencies that must be considered. The scope of the valuation and opinion of the actuary are set out in the appointed actuary's report.

The independent auditor is appointed by the Board of Directors. Their mission is to conduct an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and to issue to the Board of Directors their report on those financial statements. As part of their audit engagement, the independent auditor uses the work of the appointed actuary and their report on the insurance contract liabilities. The scope of the audit and the auditor's opinion are set out in the independent auditor's report.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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(in thousands of Canadian dollars)

6. Investments

a) Classification, carrying amount and fair value of investments

2025			
	Mandatorily classified at fair value through profit or loss	Designated at fair value through profit or loss	Total
	\$	\$	\$
Investments			
Cash	9,051	-	9,051
Bonds – Government	-	101,664	101,664
Bonds – Corporate – Public	-	17,713	17,713
	9,051	119,377	128,428

2024			
	Mandatorily classified at fair value through profit or loss	Designated at fair value through profit or loss	Total
	\$	\$	\$
Investments			
Cash	13,808	-	13,808
Bonds – Government	-	90,815	90,815
Bonds – Corporate – Public	-	23,530	23,530
	13,808	114,345	128,153

The Company invests according to its investment policies as well as within limits established by law and regulatory bodies.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

6. Investments (continued)

b) Investment income

	2025	2024
	\$	\$
Investments measured at fair value through profit or loss		
Interest and amortization of discounts/premiums	3,988	1,807
Dividends, funds and other	-	2,510
	3,988	4,317
Investment expenses	(260)	(375)
	3,728	3,942

c) Change in fair value and gains and losses on disposals of investments

	2025	2024
	\$	\$
Investments mandatorily measured at FVTPL		
Change in fair value	-	3,583
Losses on disposal of investments	-	(2,181)
Gains on foreign currency conversion	-	496
Investments designated at FVTPL		
Change in fair value	343	359
Gains on disposal of investments	176	2,143
	519	4,400

d) Fair value

Financial assets and liabilities that are recorded at fair value in the statement of financial position are classified based on the level of the fair value measurements hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is composed of the following levels:

- Level 1 Valuation based on market prices (non-adjusted) observed in active markets, for identical assets or liabilities.
- Level 2 Valuation techniques based on data other than the market prices provided in Level 1, which are directly or indirectly observable in the market for assets or liabilities.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

6. Investments (continued)

d) Fair value (continued)

Valuation of investments

Bonds and other investments

The Company uses the services of recognized investment managers (“managers”) to estimate fair value measurements for all of its bonds and certain other investments. The managers use market prices observable in active markets for identical investments.

For investments that are not traded on a daily basis, the managers prepare an estimate of the fair value measurement using valuation techniques and models that include, for instance, the use of available information on recent arm’s length market transactions between knowledgeable, willing parties, referencing the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Inputs used by the managers in applying the valuation techniques represent reasonable market expectations and measures of the risk-return factors inherent to the financial instrument. If the manager cannot carry out the fair value measurement of an investment due to the lack of relevant market data, the Company estimates fair value using the same valuation techniques and models as the manager, using assumptions for market data to be used that are not available under current market conditions. Depending on the market data observed, the fair value estimate provided by the managers is included in the amounts disclosed in Level 2 of the hierarchy.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

6. Investments (continued)

d) Fair value (continued)

Valuation of investments (continued)

Hierarchy of the fair value measurements

The following tables present the financial assets that are measured at fair value on a recurring basis and classified using the fair value hierarchy.

	Fair Value Measurement - 2025		
	Total	Level 1	Level 2
	\$	\$	\$
Cash	9,051	9,051	-
Bonds	119,377	-	119,377
	128,428	9,051	119,377

	Fair Value Measurement – 2024		
	Total	Level 1	Level 2
	\$	\$	\$
Cash	13,808	13,808	-
Mutual funds	114,345	-	114,345
	128,153	13,808	114,345

No transfers between Levels 1 and 2 occurred for the years ended December 31, 2025 and 2024.

7. Financial Risk Management

General risk management policy

The Company has an integrated risk management policy that describes the framework and identifies the policies, procedures and controls that the Company has put in place to manage its risks in order to meet its legal obligation to follow sound and prudent management practices. The Company's financial instruments are managed in a global and integrated manner. The Board of Directors of the Company and its committees have the responsibility to ensure that the Company has implemented various risk management policies to guide management in relation to the various risks identified. Management ensures the creation of an environment conducive to effective risk management. It also ensures that managers rigorously evaluate the material risks to which the Company is exposed and act with prudence and discipline within set risk limits.

In pursuing its activities, the Company is exposed to various risks associated with financial instruments and with insurance and reinsurance contracts, the principal risks of which are as follows:

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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(in thousands of Canadian dollars)

7. Financial Risk Management (continued)

General risk management policy (continued)

Liquidity risk

The liquidity risk represents the possibility that the Company will be unable to gather the funds required to meet its financial obligations at the appropriate time. This risk is managed through matching of investments with financial commitments and strict cash flow management. Furthermore, to maintain an appropriate level of liquidity, the Company ensures that a good proportion of its investments are held in quality marketable securities that are easily traded on an organized market. Management regularly monitors and continuously assesses the availability of various forms of credit facilities and other forms of credit.

The maturity of financial liabilities, insurance contracts issued and reinsurance contracts held varies from one item to another. Accounts payable are generally payable within one and six months following the services received. The maturity of insurance contract liabilities will depend on claim status, but they are paid within one year of the acquisition date. The carrying amount of these financial liabilities represents the maximum exposure to the liquidity risk.

Credit and concentration risks

Credit risk is the potential for financial loss to the Company if a counterparty or a debtor does not meet its obligations. It is a material risk to which the Company is exposed and results mainly from the exposure related to its various investment portfolios and insurance services. Concentration risk arises when transactions or investments are made with an entity or entities with similar characteristics or operating in the same sector or geographical region, or when significant revenues or assets are linked to the same entity.

The Company's policies are designed to mitigate these risks through sound diversification of industries and geographical regions, by limiting exposure to any single issuer, client or reinsurer and by seeking a high credit quality of the aforementioned. The assets of the Company are subject to continuous monitoring and regular reviews by management, the Board of Directors and its committees.

No financial asset of the Company for which a default risk has materialized was considered past due or was impaired as at December 31, 2025. The Company maintains close relationships with its clients and reinsurers and carefully manages the collection of amounts receivable.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

7. Financial Risk Management (continued)

General risk management policy (continued)

Credit and concentration risks (continued)

Financial assets subject to credit risk include cash, short-term investments, bonds, investment income receivable, reinsurance contract assets and accounts receivable. The carrying amount of financial assets represents the maximum exposure to credit risk. Amounts are generally received between one and six months following the service or based on the terms and conditions of the security, the insurance contract or the reinsurance treaty.

The Company invests part of its investments in corporate bonds, with a credit rating of at least “BBB” by a recognized rating agency, at the date of purchase. The Company’s exposure to bad debts and securities with a credit rating of less than “BBB” is not significant. Cash and guaranteed investment certificates are held with various governments and major Canadian chartered banks, whose credit ratings are generally very good, in order to reduce the credit risk associated with this asset. Financial assets carried at amortized cost are considered to have low credit risk and the amount of impairment to be recognized was not significant as at December 31, 2025.

The Company reviews its exposure to credit and concentration risks related to amounts recoverable from its reinsurers. The Company is not released from its obligations towards the policyholders in the event of a reinsurer failing to meet its obligations. The Company conducts an annual review of the credit ratings and capitalization of its reinsurers to mitigate its credit risk. The credit quality of reinsurance contract assets is generally A.

The nature of the Company’s exposure to credit risk and the objectives, policies and processes it uses to manage and measure risk have not changed from the prior period.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument, an insurance contract or a reinsurance contract held will fluctuate because of changes in market interest rates. To manage the matching requirements, the Company segments its investments by matching blocks according to the structure of the cash flows of insurance contract liabilities. The aim is to ensure that cash flows and investment returns match those of the policy liabilities.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

7. Financial Risk Management (continued)

Interest rate risk (continued)

Cash, short-term investments, guaranteed investment certificates and bonds usually bear interest at fixed rates and, as a result, expose the Company to the risk of change in fair value resulting from changes in market interest rates. Other financial instruments do not have an interest rate risk since they usually do not bear interest. Amounts payable and receivable under insurance and reinsurance contracts held are settled within one year and are therefore not subject to interest rate risk. The Company estimates that a 1% change in total interest rate risk exposure would be \$2,593 as at December 31, 2025 (\$2,412 as at December 31, 2024).

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument, an insurance contract or a reinsurance contract held will fluctuate because of changes in foreign exchange rates. The foreign exchange risk of all group companies is managed in an integrated and global manner at the Company level.

As at December 31, 2025, the Company was not exposed to a significant foreign exchange risk.

8. Accounts Receivable

	2025	2024
	\$	\$
Amounts receivable from insurance companies	1,634	3,500
Other receivables	2,068	1,907
Amounts receivable from companies under common control	27,574	26,111
	31,276	31,518

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

9. Property and Equipment

	Computer equipment	
	2025	2024
	\$	\$
Cost		
Beginning of year	4,325	4,927
Acquisitions	-	4
Write-off/Transfer	(351)	(606)
End of year	3,974	4,325
Accumulated depreciation		
Beginning of year	2,031	1,521
Depreciation	925	1,116
Write-off/Transfer	(351)	(606)
End of year	2,605	2,031
Net book value	1,369	2,294

10. Other assets

	2025	2024
	\$	\$
Prepaid expenses	142	59
Income taxes receivable (Note 14)	145	-
Deferred income tax assets (Note 14)	10,022	3,484
	10,309	3,543

11. Management of Insurance Risks

Exposure to the most significant insurance risks arises from morbidity risk, with or without comprehensive coverage for out-of-country medical expenses, from pre-existing medical conditions, damages, loss of baggage and travel cancellation/interruption.

General risk management policy

Insurance risks are mainly controlled using appropriate pricing and claims policies. Net surplus volatility is reduced using reinsurance agreements which comply with strategies approved by the Board of Directors. Controls are maintained on claims management practices to ensure that payments are made appropriately and in a timely manner.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

11. Management of Insurance Risks (continued)

Risk management strategy

In accordance with contractual and statutory requirements and sound management of the Company, policies have been put in place to ensure that all risks underwritten do not adversely affect the Company's ability to pay benefits, claims and adjustment expenses when they are due. The procedures used to oversee pricing are important in ensuring that the Company is adequately compensated for the risks it assumes. Capital management and the assessment of regulatory capital are also important aspects of the Company's risk management strategy.

Pricing

The pricing risk is primarily managed through a regular analysis of the adequacy of the Company's product pricing relative to recent underwriting experience, specific limits on authority and quality assurance control of the insurance risk acceptance process. If necessary, the pricing assumptions are revised.

Reinsurance

In the normal course of business, the Company uses reinsurance to mitigate its risk with respect to its insurance contract liabilities. Reinsured risks do not relieve the Company of its responsibilities to the policyholders. However, it allows the Company to recover from the reinsurers the ceded portion of submitted claims. The Company determines its retention limit on each assumed risk, either as a fixed amount or as a share up to a fixed amount, for each line of business.

Management of insurance service expenses

Control procedures are in place for managing insurance service expenses to ensure that an appropriate assessment is carried out for the determination of the benefits, claims and expenses to be paid. These controls include, but are not limited to, application of the procedures set out in internal policies and the implementation of limits on delegation of authority.

Concentration of insurance risks

Exposure to risk from substantial claims is managed using a maximum retention by type of risk assumed (morbidity and medical care) per individual. The concentration of risks by type of product is managed by monitoring the Company's in-force business and the annual sales volume. The Company's business is protected against multiple simultaneous benefits that would occur due to a concentration of insurance risk through catastrophe reinsurance agreements. These agreements provide protection against various multiple simultaneous benefits and protect the Company against a concentration of insurance risk. The Company's risk exposures are all short-term.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

11. Management of Insurance Risks (continued)

Methods used for assessment and monitoring of risk exposures

Risk exposure

To enable management to assess the extent to which the Company is able to meet the regulatory solvency requirements, every year, the appointed actuary analyzes the current and future solvency of the Company using various scenarios. The appointed actuary determines the assumptions regarding the growth of the Company, investments, morbidity, expenses and other items related to insurance policies, as well as other internal and external factors that may affect the solvency of the Company. The appointed actuary evaluates the potential impacts and identifies measures to mitigate these risks.

Capital management

Capital includes capital stock, contributed surplus, retained earnings and accumulated other comprehensive income. As at December 31, 2025, the capital amounted to \$87,435 (\$64,415 as at December 31, 2024).

In managing its capital, the Company pursues objectives of sound capitalization and good solvency to ensure the protection of capital, to respect the requirements established by the regulatory bodies and to promote its development and growth.

To achieve its objectives, the Company has adopted sound management practices to support its strategic orientations and financial targets and to maintain an adequate level of capital.

The Company's policy is to maintain its capitalization at a level that exceeds the minimum regulatory capital requirements in the jurisdictions where it operates. The life insurance capital adequacy test ("LICAT") established by the Autorité des Marchés Financiers ("AMF") is in place to strengthen the protection mechanisms of policyholders and relates mainly to the ability of the Company to pay future benefits, claims and adjustment expenses. These requirements must be maintained continuously throughout the year. As at December 31, 2025, the Company's LICAT ratio exceeded its targeted ratio.

CANASSURANCE INSURANCE COMPANY

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(in thousands of Canadian dollars)

12. Insurance Contracts Issued and Reinsurance Contracts Held

Reconciliation of net liabilities for insurance contracts issued

The table below presents a reconciliation of the net liabilities for insurance contracts issued, including the liability for remaining coverage and the liability for incurred claims.

	2025			Total
	Liability for remaining coverage		Liability for incurred claims	
	Excluding the loss component	Loss component	Estimated fulfilment cash flows	
	\$	\$	\$	\$
Balance, beginning of year	52,394	-	49,842	102,236
Insurance revenue	(172,438)	-	-	(172,438)
Insurance service expenses				
Claim expenses and other expenses	-	-	161,319	161,319
Losses on onerous contracts and reversals of those losses	-	-	-	-
Change in the liability for incurred claims	-	-	(7,652)	(7,652)
Insurance service result	(172,438)	-	153,667	(18,771)
Total changes in the statement of net income	(172,438)	-	153,667	(18,771)
Cash flows				
Premiums received	167,104	-	-	167,104
Payment for claims incurred and other expenses	-	-	(166,569)	(166,569)
Total cash flows	167,104	-	(166,569)	535
Balance, end of year	47,060	-	36,940	84,000

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

12. Insurance Contracts Issued and Reinsurance Contracts Held (continued)

Reconciliation of net liabilities for insurance contracts issued (continued)

	2024		Liability for incurred claims	Total
	Liability for remaining coverage			
	Excluding the loss component	Loss component	Estimated fulfilment cash flows	
	\$	\$	\$	\$
Balance, beginning of year	14,667	-	20,120	34,787
Insurance revenue	(108,636)	-	-	(108,636)
Insurance service expenses				
Claim expenses and other expenses	-	-	109,659	109,659
Losses on onerous contracts and reversals of those losses	-	-	-	-
Change in the liability for incurred claims	-	-	1,626	1,626
Insurance service result	(108,636)	-	111,285	2,649
Total changes in the statement of net income	(108,636)	-	111,285	2,649
Cash flows				
Premiums received	121,017	-	-	121,017
Payment for claims incurred and other expenses	-	-	(122,531)	(122,531)
Total cash flows	121,017	-	(122,531)	(1,514)
Other changes (Note 18)	25,346		40,968	66,314
Balance, end of year	52,394	-	49,842	102,236

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

12. Insurance Contracts Issued and Reinsurance Contracts Held (continued)

Reconciliation of net assets for reinsurance contracts held

The table below presents a reconciliation of the net assets for reinsurance contracts held, including the asset for remaining coverage and the asset for incurred claims.

	2025			
	Asset for remaining coverage		Asset for incurred claims	Total
	Excluding the loss-recovery component	Loss-recovery component	Estimated fulfilment cash flows	
	\$	\$	\$	\$
Balance, beginning of year	(424)	-	3,186	2,762
Allocation of reinsurance premiums	(1,797)	-	-	(1,797)
Amounts recoverable from reinsurers for incurred claims				
Amounts recoverable for incurred claims and other expenses	-	-	680	680
Loss recovery on onerous contracts and adjustments	-	-	-	-
Change in amounts recoverable for incurred claims	-	-	(1,429)	(1,429)
Net reinsurance expenses	(1,797)	-	(749)	(2,546)
Total changes in the statement of net income	(1,797)	-	(749)	(2,546)
Cash flows				
Premiums paid	1,999	-	-	1,999
Amounts received	-	-	(942)	(942)
Total cash flows	1,999	-	(942)	1,057
Balance, end of year	(222)	-	1,495	1,273

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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12. Insurance Contracts Issued and Reinsurance Contracts Held (continued)

Reconciliation of net assets for reinsurance contracts held (continued)

	2024			
	Asset for remaining coverage		Asset for incurred claims	
	Excluding the loss-recovery component	Loss-recovery component	Estimated fulfilment cash flows	Total
	\$	\$	\$	\$
Balance, beginning of year	(248)	-	598	350
Allocation of reinsurance premiums	(1,229)	-	-	(1,229)
Amounts recoverable from reinsurers for incurred claims				
Amounts recoverable for incurred claims and other expenses	-	-	469	469
Loss recovery on onerous contracts and adjustments	-	-	-	-
Change in amounts recoverable for incurred claims	-	-	(36)	(36)
Net reinsurance income (expenses)	(1,229)	-	433	(796)
Total changes in the statement of net income	(1,229)	-	433	(796)
Cash flows				
Premiums paid	1,060	-	-	1,060
Amounts received	-	-	(65)	(65)
Total cash flows	1,060	-	(65)	995
Other changes (Note 18)	(7)	-	2,220	2,213
Balance, end of year	(424)	-	3,186	2,762

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

12. Insurance Contracts Issued and Reinsurance Contracts Held (continued)

Significant judgments and assumptions

The nature of the most significant judgments and assumptions used to account for insurance contracts issued and reinsurance contracts held and the methods used to determine these judgments and assumptions are described below.

i) Claims experience

The Company conducts morbidity studies on a regular basis through sufficiency studies. These studies are updated annually.

Given the size of the Company and the random nature of claims, the Company may, however, have a different claims experience than expected in a given year.

ii) Expenses and inflation

The calculation of the liability for incurred claims includes an estimate of costs related to the management of contracts in force, overhead and other expenses. The Company periodically analyzes expenses to determine the expenditures within the scope of contracts.

Sensitivity analysis

No tables are presented for 2025 and 2024 since the product portfolio is now composed only of short-term products and the sensitivity to interest rates is not significant.

13. Accounts Payable, Provisions and Other Liabilities

	2025	2024
	\$	\$
Accounts payable and accrued expenses	868	834
Amounts payable to agents and brokers	416	312
Amounts payable to the Parent Company	138	857
Fees and other taxes payable	30	21
Income taxes payable	379	227
	1,831	2,251

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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14. Income Taxes

The income tax expense differs from the amount computed applying the combined Federal and Provincial statutory income tax rates to income before income taxes because of the following items:

	2025	2024
	\$	\$
Income before income taxes	16,817	3,323
Statutory income tax rate	26.36%	26.36%
Expected income tax expense	4,433	876
Non-deductible (non-taxable) items for tax purposes	6	(101)
Prior year adjustments	(181)	-
Adjustment to future income tax assets as a result of changes in tax rates	(27)	(121)
Recognition of previously unrecognized tax attributes	(10,560)	-
Other items	126	131
	(6,203)	785

The tax effects of temporary differences that give rise to significant items of deferred income tax assets as at December 31 are presented below:

	2025	2024
	\$	\$
Deferred income tax assets:		
Actuarial reserve	9,485	1,425
Property and equipment	(319)	(537)
Carry-forward losses	686	2,548
Accounts payable and accrued expenses	3	2
Pension plans and other retirement benefits	167	46
	10,022	3,484

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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15. Capital Stock

Authorized

50,000,000 common stocks, voting, participating, with a par value of \$1 each

50,000,000 preferred stocks, non-voting, non-cumulative dividend as determined by the Board of Directors, with a par value of \$1 each, redeemable at the Company's option

		2025	2024
	Number	\$	\$
<i>Issued and fully paid</i>			
Balance, beginning of year	5,998,583	31,818	4,000
Issuance of common stocks	-	-	27,818
Balance, end of year	5,998,583	31,818	31,818

During fiscal 2024, the Company issued 1,341,061 voting common stocks with a value of \$18,666 as consideration for assets and liabilities acquired during the restructuring of operations (Note 18). In addition, the Company issued 657,522 voting common stocks with a value of \$9,152 as consideration for cash.

16. Additional Information on the Statement of Net Income

The following items are included in the statement of net income:

	2025	2024
	\$	\$
Claims, losses and loss adjustment expenses	83,157	56,547
Commissions and allowances	19,936	18,523
Premium taxes	4,724	3,272
Depreciation of property and equipment	925	1,116
Salaries and benefits	23,459	16,572
Other expenses	28,616	20,009
	160,817	116,039
Represented by:		
Insurance service expenses excluding insurance acquisition cash flows	133,731	92,762
Insurance acquisition cash flows	19,936	18,523
Included in "Insurance service expenses"	153,667	111,285
Included in "General expenses"	7,150	4,754
	160,817	116,039

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

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17. Additional Information on the Statement of Cash Flows

	2025	2024
	\$	\$
Investment income receivable	21	(152)
Accounts receivable	242	(7,096)
Other assets	(228)	4,587
Account payable, provisions and other liabilities	(420)	(30,751)
	(385)	(33,412)

18. Information on Related Party Transactions

In the normal course of business, the Company has transactions with the Ultimate Parent Company and its other subsidiaries. Transactions not otherwise disclosed in the financial statements are presented below. These transactions are measured at the exchange value established and accepted by the related parties.

Income and expenses from transactions with the Ultimate Parent Company and companies under common control that are recognized in the statement of net income (loss) are as follows:

	2025	2024
	\$	\$
Revenues		
Administration revenues	1,995	2,418
Other revenues - contractual penalty revenues	-	12
	1,995	2,430
Expenses		
Claims adjustment expenses	8,557	5,205
General expenses – Management fees	957	2,692
General expenses – IT services	13,672	5,105
General expenses – Salaries and benefits (recovery)	(131)	(5,023)
	23,055	7,979

In 2025, general expenses do not include any compensation expense for key management personnel, including post-employment benefits. There was an approximate amount of \$474 included in 2024. Key management personnel are those with the authority and responsibility for planning, directing, and controlling activities, including directors.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

18. Information on Related Party Transactions (continued)

The Parent Company provides the employees of the Company with defined benefit pension plans, post-retirement benefits and other post-employment benefits. The Ultimate Parent Company recognizes all the obligations and costs associated with these plans and allocates the portion of pension expenses and other post-retirement benefits attributable to the employees of the Company.

The following table presents the information about the defined benefit pension plans of the Parent Company.

	2025		2024	
	Pension plans	Other benefits	Pension plans	Other benefits
	\$	\$	\$	\$
Defined benefit obligations				
Defined benefit obligations, beginning of year	68,048	642	63,251	667
Current service costs	3,482	32	3,472	33
Employee contributions	2,032	-	1,923	-
Benefits paid	(2,979)	(60)	(2,201)	(62)
Interest costs	3,327	31	3,047	31
Actuarial loss (gain) due to:				
Changes in economic assumptions	(3,774)	(34)	(1,342)	(27)
Plan experience	291	-	(102)	-
Defined benefit obligation, end of year	70,427	611	68,048	642
Plan assets				
Fair value of plan assets, beginning of year	67,584	-	59,248	-
Employer contributions	3,174	-	3,144	-
Employee contributions	2,032	-	1,923	-
Benefits paid	(2,979)	-	(2,201)	-
Administration fees	(416)	-	(374)	-
Interest on plan assets	3,287	-	2,843	-
Experience gain	843	-	3,001	-
Fair value of plan assets, end of year	73,525	-	67,584	-
Effect of ceiling on net defined benefit asset	3,299	-	516	-
Defined benefit pension plan liability	201	611	980	642
Funding status				
Funded plans deficit	652	-	393	-
Unfunded plans deficit (surplus)	(451)	611	587	642

In 2025, expenses of \$1,558 (\$1,224 in 2024) in salaries and payroll taxes were recorded by the Company for defined benefit pension plans and other post-retirement benefits.

CANASSURANCE INSURANCE COMPANY

Notes to Financial Statements

Year ended December 31, 2025

(in thousands of Canadian dollars)

18. Information on Related Party Transactions (continued)

Transfer of assets and liabilities

During fiscal 2024, as part of a restructuring of operations, all the operations of Canadian Hospital Service Association, the Ultimate Parent Company, were transferred to the Company. These operations constituted a business transfer. As a result, insurance contracts, assets, other liabilities and employees related to insurance services were transferred to the Company in exchange for 1,341,060 common stocks of the Company (see Note 15) with a value of \$18,666. The consideration transferred represented the fair value of net assets acquired, also equal to their carrying amount.

Assets acquired and liabilities assumed

Assets

Investments	
Cash	120
Bonds	73,480
Preferred stocks	26,995
Mutual funds	4,486
Investment income receivable	480
Accounts receivable	7,885
Reinsurance contract assets	2,213
	<hr/>
	115,659

Liabilities

Accounts payable	30,634
Foreign currency forward contracts payable	45
Insurance contract liabilities	66,314
	<hr/>
	96,993
	<hr/>
Total net assets acquired	18,666

As part of the same restructuring, the Company transferred IT employees to the Parent Company, Canassurance Financial Corporation. These transfers did not have any impact on the Company's financial statements as at the transfer date.

19. Commitments

As at December 31, 2025, the Company had a credit facility available, through the Ultimate Parent Company, in the form of credit cards for a maximum authorized amount of \$900 (\$900 as at December 31, 2024). This credit facility is renewable annually. As at December 31, 2025 and 2024, no amounts were used in the form of credit cards. The overdue balances bore interest at a fixed rate of 20.99% as at December 31, 2025 and 2024. The Company has no overdue balances.