



MUTUELLE
D'ASSURANCE
EN ÉGLISE

AGENCE EN ASSURANCE DE DOMMAGES



ANNUAL REPORT 2022

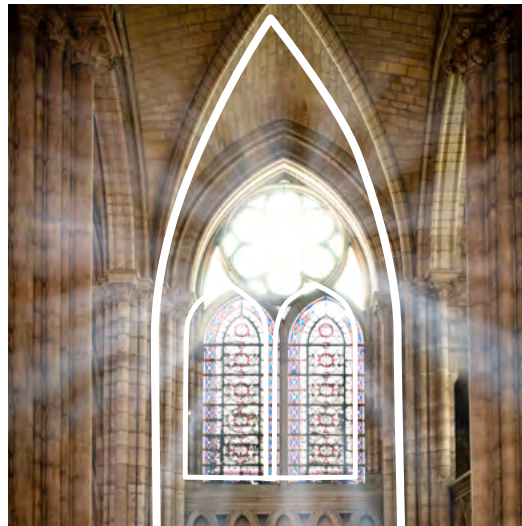




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MORE THAN JUST INSURANCE

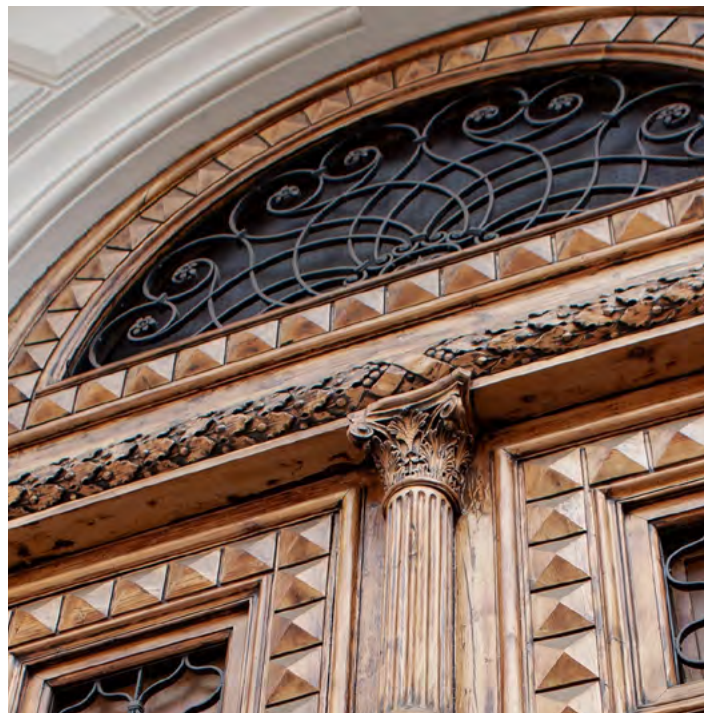


For 170 years now, the Mutuelle has stood the test of time despite the disruptions it has experienced over the years, the evolution of the insured risks, the organizational changes and the transformation of the church community. Its strength? Mutual aid and the willingness of its members to remain united within their mutual insurance company which allows them to take part in the election of officers and in making important decisions.

Indeed, the Mutuelle belongs to its members. This is a major advantage that is not found in a private company where the insured are not owners. This substantial difference creates the richness and the particularity of the Mutuelle. It is therefore essential that each member be aware of it and take advantage of every opportunity they have to express their opinion, notably by using his or her right to vote when elections are held.

It is also important to remember that by being part of the Mutuelle, the community as a whole benefits from the efforts of each member in maintaining their buildings and preventing disasters. Thanks to mutualism and the pooling of resources that underlies it, members also collectively acquire exceptional means that enable them to maintain and even improve the quality of their risk profile for the future, while benefiting from protection designed for them. Their collective efforts also allow their Mutuelle to offer better adapted insurance products, a range of services from the Centre d'entraide et de prévention and, finally, a reduction in their overall bill thanks to the amounts received during the annual attribution. Being a member of the Mutuelle d'assurance en Église is therefore not a simple matter of contract, it is a matter of heart and pride.

Furthermore, because it evolved over the years in the unique Church environment, the Mutuelle is also aware of the current and future challenges faced by our members and makes the effort to know their needs well. That is why we consider it important to offer them a unique insurance solution (exclusive products, personalized prevention approach, reasonable rates, profit sharing), a devoted team, outstanding customer service and additional services such as the Centre d'entraide et de prévention, which you will not find in the private sector.





OUR MISSION

To support, through mutual cooperation and collaboration, the insurance needs of the Roman Catholic Church of Quebec.

OUR VISION

To be a trusted partner for the fabriques, dioceses and religious institutions.

To be recognized as the best provider of insurance products by those responsible for religious buildings.

To be recognized as a solid, credible and competent financial institution by the financial community and regulatory agencies.

OUR VALUES

- Protection, dignity and recognition of each member;
- Primacy of collective interest over individual interest;
- Mutual assistance, solidarity, fairness and good faith;
- Mutualism;
- Democratic governance and transparency;
- Prevention and caution – guarantors of our financial soundness and sustainability.



“The Mutuelle is proud to show a retention rate of over 99%, which confirms the relevance of its insurance and prevention solutions.”

François Dufault
Chief Executive Officer

2022 HIGHLIGHTS

693
POLICIES
UNDERWRITTEN

Our community in numbers

530
FABRIQUES

79
INSTITUTIONS FROM
OTHER CHRISTIAN
CONFESSIONS

56
OTHER
ORGANIZATIONS

28
ROMAN CATHOLIC
RELIGIOUS
INSTITUTIONS

\$1.3 M

MONEY REINVESTED IN OUR MEMBERS' COMMUNITY

\$704 k
ATTRIBUTION

\$271 k
SUBSIDIES

\$345 k
MUTUAL AID AND PREVENTION

1 460
INSURED SITES

\$3.7 G
PROTECTED AND
INSURED VALUES

A WORD FROM THE CHAIRMAN



Dear members,

While the year 2021 was marked by the end of a turbulent period in the governance of the Mutuelle, the year 2022 will have been marked by the consolidation of gains and the start of work that has been postponed too often.

Indeed, this year, with the knowledge and cohesion acquired during the previous year, the Board of Directors was able to start focusing more on your needs as members of the Mutuelle and the different ways to meet them, while ensuring that it will be able to do so for a long time to come and under the best possible conditions. Obviously, this vast undertaking will not be accomplished in a few months, but rather in a few years. With the review of all of the Mutuelle's policies now behind us, we can focus on the future and the means to make it beneficial to all. You can count on the unwavering commitment of each member of the Board to do the right things, in the right order.

It is on this premise that we are proud of the accomplishments of 2022 and look forward to 2023 with optimism. Not only were we able to be profitable in 2022 while developing strategies to keep it that way, but we were also able to return to a Mutuelle tradition of paying an attribution to our members. This attribution may seem modest in comparison to some of the better years. However, it corresponds to your Mutuelle's current means, without any impact on its long-term financial situation.

The work of the committees

The Board of Directors has set up three committees that allow it to work simultaneously on several projects and to obtain concrete proposals for action.

The Ethics Committee worked mainly on two issues. It has put in place a procedure that allows the Board of Directors, each of

its committees, and each of its members individually to evaluate themselves and identify areas for improvement. Following this exercise, the Ethics Committee felt necessary to develop a guide for current and future board members. This guide defines what is expected from them and prepares them to contribute more quickly to the work of the Mutuelle.

The Audit Committee obviously pays primary attention to the day-to-day financial management of the Mutuelle, whether through regular reviews of the Mutuelle's major issues or through budget monitoring. It has paid particular attention to the investment income earned on the Mutuelle's assets. While the general financial environment in 2022 had a significant impact on performance, a strong trend of underperformance was evident in the results of previous years. The committee therefore issued a request for proposals to financial consulting firms to identify whether better practices and results could be achieved. After an exhaustive analysis, with the help of internal resources, the committee proposed to the Board that a Quebec firm with a solid foundation in the insurance industry be entrusted with the day-to-day management of its investments. The transfer to the new fund manager is underway and will be completed in the coming months.

The Business Practices Committee focuses on ways in which the Mutuelle can improve its response to the needs of its members. Each year, the committee implements a series of projects that will strengthen that response. I would like to highlight a few of these projects for 2022: the implementation of a survey of policyholders who have suffered a claim to determine their assessment of the resolution of the file and to resolve any outstanding issues; the review of the claims outsourcing contract with an emphasis on the service aspect; and finally, ensuring that members understand the issues related to the amount of insurance and underinsurance.

Strategic planning

At the end of the previous fiscal year, we were in the middle of strategic planning. We were in the process of gathering information and identifying urgent issues to be resolved. This exercise, the first in over 15 years, was aimed at better understanding the needs of our members and finding ways to improve the services, products and conditions offered to them.

Phase 1 of the exercise is complete and sets the stage for several strategic projects in the coming years. Some of these projects relate to the internal operations of the Mutuelle, others to its sustainability; however, all are closely linked. Some are already underway; others require further analysis to ensure that actions are taken in an orderly fashion.

We are also proud to have recreated the Liaison Committee with the authorities of the three Archdioceses in our territory. This forum will allow us to better understand the realities of our members and to be more proactive when individual issues arise. We are particularly pleased that the Archbishops themselves were keen to participate. This clearly demonstrates to us that the Mutuelle is a major player with its members and that its success is inseparable from the positive solutions envisaged for the coming years.

The general management

Last September, the Mutuelle welcomed a new General Manager, Mr. François Dufault. With many years of experience in the insurance business in a mutualist environment, along with significant achievements, but above all a strong desire to respond to the needs of members, he was able to get down to work as soon as he arrived. We are convinced that he will be an important asset in many respects and for many years to come.

I would not want to overlook the extraordinary assistance the Board and the Mutuelle as a whole received in the seven months leading up to the arrival of the new General Manager. I cannot imagine what would have happened without the unfailing support of Colette St-Martin who accepted to combine her already demanding role as Corporate Secretary with the responsibility for several files as the Mutuelle's interim Director. As Chairman, I have had to work with her on an almost daily basis. It has been both a pleasure and an outstanding performance.

We would also like to thank the board members and all the employees for supporting Ms. St-Martin and helping to ensure a remarkable performance.

The Mutuelle's performance

The Mutuelle's financial health remains strong. The minimum capital test shows a strong ratio of 634%, which is comparable to the 2021 ratio.

As in previous years, the Mutuelle has contributed to the maintenance of religious heritage through its expertise and has provided financial support in the form of subsidies and programs.

This year, our results allow us to pay an attribution to eligible members without drawing on assets acquired over the years.

Gross earned premiums increased by 1.3% over the previous year to \$10.7 million. This increase is primarily due to the addition of new members and the indexation of insured values.

Earned premiums ceded to reinsurers increased by \$477,000, or approximately 11.7% over 2021, as a result of the increase in insured values and the ceding of a portion of the upper catastrophe treaty. As a result, revenue available for the Mutuelle's operations (net earned premiums) decreased by 5.2% to \$6.1 million.

In 2022, we observed a notable increase in property claims. Water damage (seepage/backflow/pipe breakage) and weather-related damages are increasing again this year and represent a significant portion of claims paid. Liability claims remain a concern this year and continue to affect the profitability of the Mutuelle.

Administrative expenses increased slightly by approximately \$202,000. This increase is partly related to cost of living increases and the hiring of staff to fill vacant positions. However, it was offset by savings achieved through the negotiation of new partnership agreements.

Governance expenses remained essentially the same as last year.

As a result, gain from insurance activities was only \$42,000 this year. The excess of revenue over expenses before attribution was \$704,501. This surplus is fully paid out to members as an attribution in 2023, resulting in a zero excess of revenue over expenses.

However, given the market conditions, the Mutuelle has a negative comprehensive income of almost \$4 million, which is attributable to unrealized losses on investments.

In closing, I sincerely believe that we are on the right track. Of course, we must expect that obstacles and imponderables will arise and require our full attention. Whatever the context, I am confident that the dedicated, resilient and highly motivated team at the Mutuelle will support us in achieving our goals and success. I am also confident that this success will always be a combination of the coordinated work of the Board of Directors and staff, in whatever role, and the input of the members and all those who work with them.



Louis Héroux
Chairman of the Board of Directors
Mutuelle d'assurance en Église

A WORD FROM THE CHIEF EXECUTIVE OFFICER



Dear members,

I have had the privilege of serving as Chief Executive Officer of the Mutuelle since last September. As soon as I took office, I became aware of its long history and the principles that guide its actions.

A committed and competent team

The Mutuelle relies on a team of 18 people who are committed to providing outstanding services.

Coming from different backgrounds, this team brings together a variety of skills and combines many years of experience in the insurance and prevention fields, which are essential to the success of your Mutuelle. Among the staff members of the Mutuelle, we find people who have been working there for many years, allowing us to have an invaluable historical perspective. We also added, in recent years, new resources that have brought a variety of new knowledge.

I would like to thank them for their welcome and support. This allows me to better understand what the Mutuelle is, its strengths and challenges, and to look forward to the work to be done in the coming years.

I would also like to thank Colette St-Martin who served as interim Chief Executive Officer before my arrival. She prepared the ground brilliantly so that my entry into the position would be simple and pleasant.

A stable business volume

The Mutuelle is proud to show a retention rate of over 99%, which confirms the relevance of its insurance and prevention solutions. Moreover, we are pleased to welcome more than 20 new members this year. We are especially pleased with their arrival, as some of them are organizations that support or continue the mission of long-standing members.

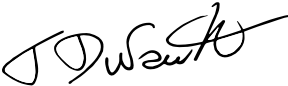
An appreciated claims service

In 2022, the Mutuelle initiated a survey of its members to determine their opinion on the management of their property claims file. When the file is completed, a survey form is systematically sent to the member. In the unfortunate event that you are the victim of a claim, I invite you to complete this survey to help us serve you better. According to the first statistics, we are pleased to note that most members are satisfied or very satisfied with the service offered by the Mutuelle.

A move under the sign of renewal

At the request of its landlord, who had to solve space problems, the Mutuelle had to relocate its activities. Like many other companies following the pandemic, we realized that we would benefit from reducing our office space. We chose to move to a co-working space in October 2022, close to our previous location. This decision allowed us to reduce our costs while providing a dynamic environment for staff.

In conclusion, I am pleased to have the privilege of shaping the future of your Mutuelle with the Board of Directors, management, staff, and all of our other collaborators to preserve its legacy and most importantly to ensure that the Mutuelle remains a valued partner to its members in accomplishing their mission.



François Dufault
Chief Executive Officer



2022 EVENTS



Annual General Meeting 2022

For the first time, the Mutuelle chose to hold its Annual General Meeting (AGM) in a hybrid format, i.e. simultaneously in person and by videoconference. Although this method required more complex logistics, it was undeniably appreciated by the members who, both on site and remotely, multiplied their praise.

More than 80 people attended the AGM on May 25, the majority of whom did so via video conference. The others came to the La Résurrection Community Centre in Brossard where they were able to witness the interesting dynamics created by the new format. Many participants mentioned that they appreciated the transparency and clarity of the presenters and the information provided on some of the Board's decisions as well as on the strategic planning process.

Change of address

In the fall of 2022, the Mutuelle found a rental opportunity that perfectly suited the needs of its employees while allowing it to provide members with impeccable service at a favorable cost. We moved on October 1st to the 15th floor of 1155 Metcalfe Street, suite 1562.

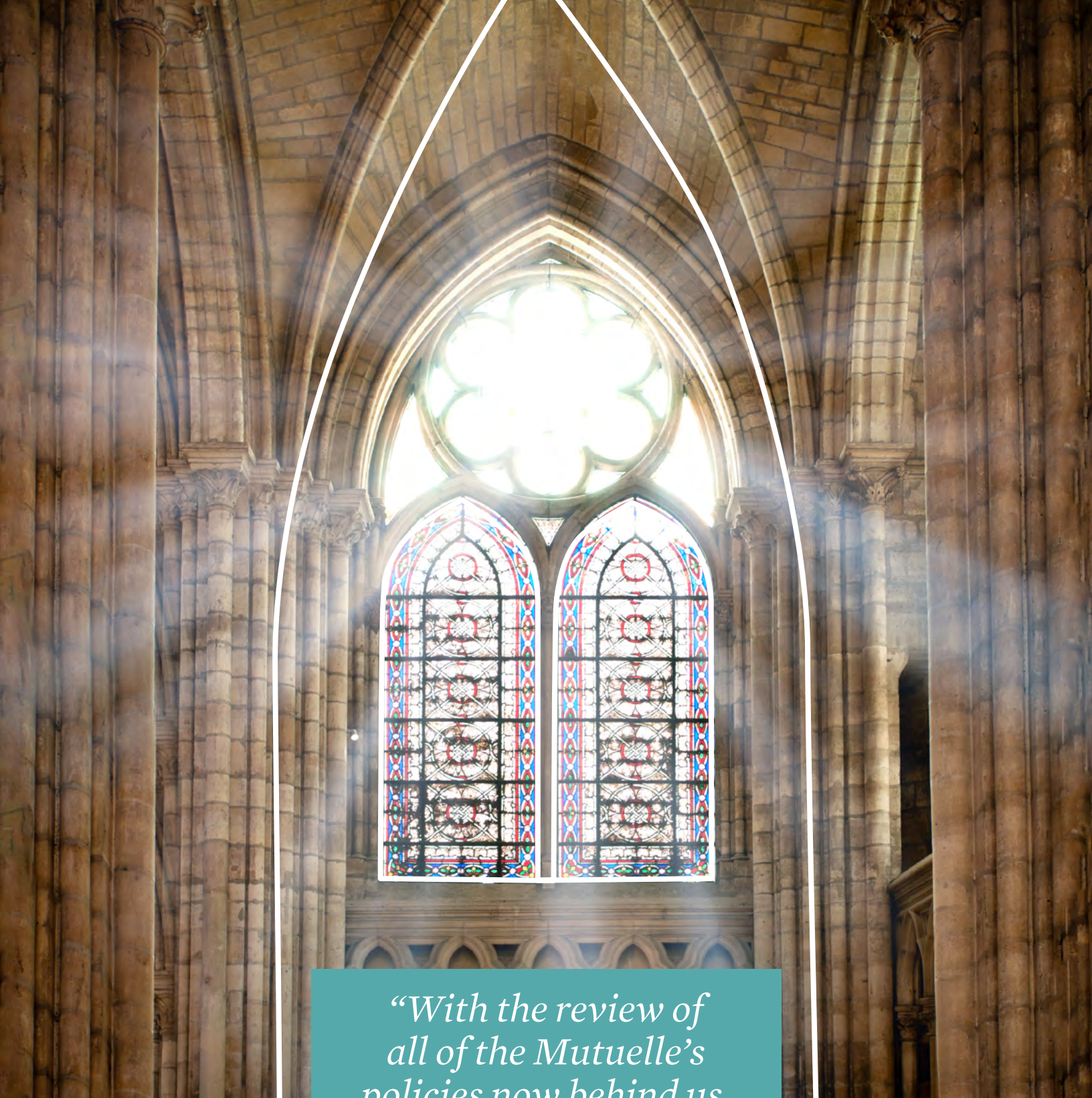




“ We are also proud to have recreated the Liaison Committee with the authorities of the three Archdioceses in our territory. This forum will allow us to better understand the realities of our members and to be more proactive when individual issues arise. ”

Louis Héroux
Chairman of the Board of Directors
Mutuelle d'assurance en Église





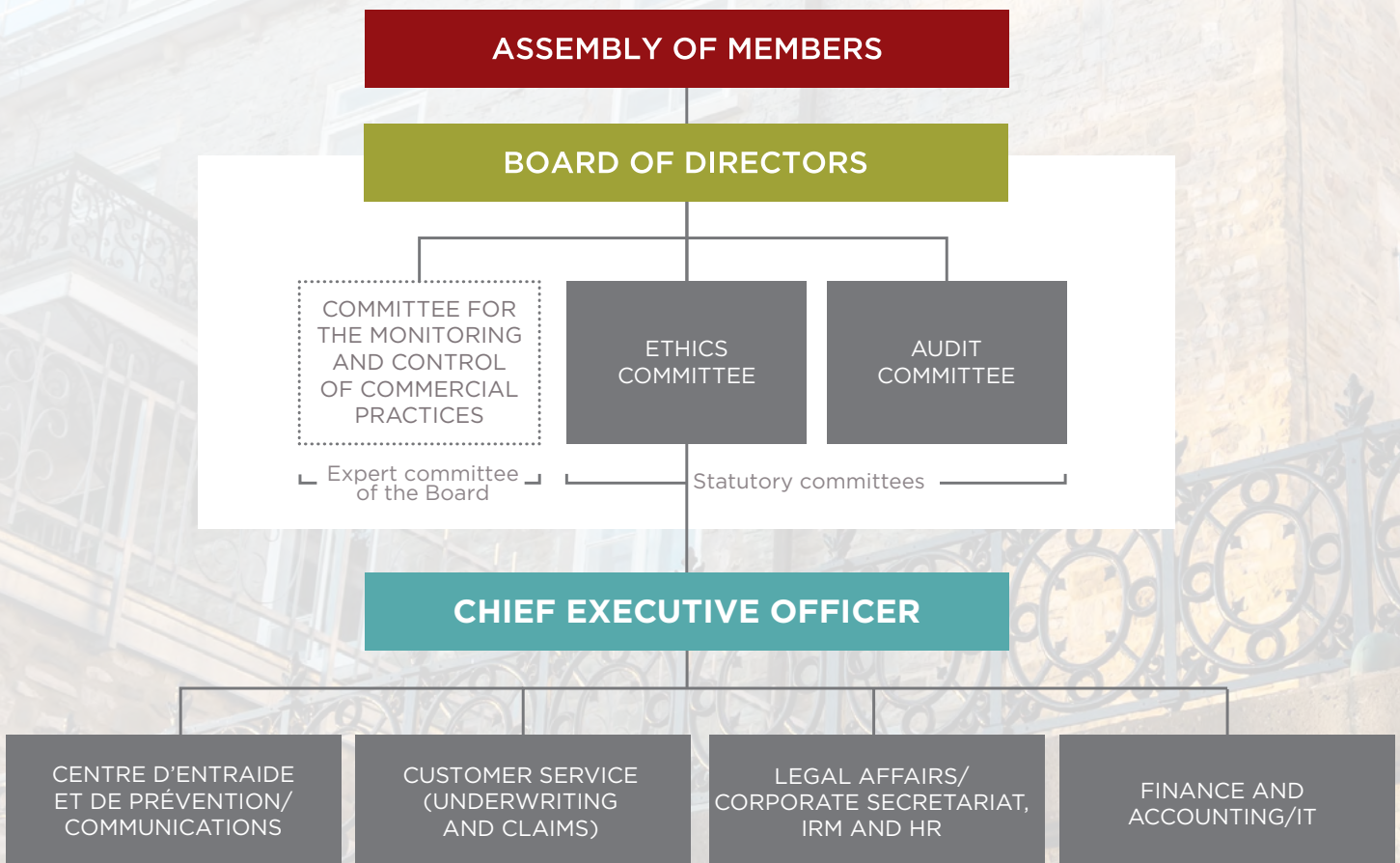
*“With the review of
all of the Mutuelle’s
policies now behind us,
we can focus on the future
and the means to make it
beneficial to all.”*

Louis Héroux
Chairman of the Board of Directors
Mutuelle d’assurance en Église

GOVERNANCE

As a regulated financial institution, the Mutuelle d'assurance en Église must ensure compliance with all applicable laws in addition to safeguarding the interests of its members and of the general public. Accordingly, the Mutuelle has drafted a corporate governance program which draws inspiration from the best industry practices but which has been adapted to make proper allowance for the size and mutualistic nature of the Mutuelle.

ORGANIZATIONAL CHART



COMPOSITION OF THE BOARD OF DIRECTORS



As a reminder, in 2020, the By-Laws were amended to introduce the parameters of representativeness for member representatives and to reserve positions for independent directors in accordance with the applicable legislation.

Insurers act, s. 90. An authorized Québec insurer must implement a policy aimed at fostering, in particular, the **independence, competence and diversity** of the members of its board of directors and of the members of the committees of the board.

Insurers act, s. 274. At least **half** of the board of directors of a mutual company must consist of **mutual members**.

Governance Guideline (AMF). The AMF also expects **the majority of board members to be independent**. The concept of independence is characterized by the ability of the board members to exercise, collectively or individually, objective and **impartial judgment** regarding the financial institution's affairs **without undue influence from senior management or stakeholders**.

Four member representatives

Four of the seven seats on the Board of Directors are reserved for member representatives. These have been allocated on the basis of territorial division and type of membership in order to achieve an equivalent number of members for each category.

«Central Region»

All Members attached to the clergy of the Roman Catholic Church in the territory of the Diocese of Montreal.

«Northern Region»

All Members attached to the clergy of the Roman Catholic Church in the territory of the dioceses of Amos, Chicoutimi, Baie-Comeau, Rouyn-Noranda, Mont-Laurier, Joliette, Trois-Rivières, Quebec, Gatineau, Saint-Jérôme and Valleyfield.

«Southern Region»

All Members attached to the clergy of the Roman Catholic Church in the territory of the dioceses of Saint-Jean-Longueuil, Saint-Hyacinthe, Sherbrooke, Nicolet, Sainte-Anne-de-la-Pocatière, Rimouski and Gaspé.

«Other Institutions»

All Members not attached to the clergy of the Roman Catholic Church, including religious institutions, non-profit organizations and legal entities belonging to other Christian confessions.





Three independent directors

The other three positions are held by independent directors in order to have an objective vision based exclusively on the interest of the Mutuelle. They must have no ties with the Mutuelle or with any of its members.

The notion of independent director was clarified in article 25 of the By-Laws.

(...)

A director is independent if he or she does not have, and has not had during the past three (3) years, any direct or indirect material relationship with the Mutuelle or with any of its Members, including being or having been:

- i. an employee of the Mutuelle;
- ii. a director of the Mutuelle, except in the case of a director seeking re-election
- iii. an employee, director or director's equivalent, committee member or person otherwise involved with a Member of the Mutuelle
- iv. an employee or director of a legal entity who deals with the Mutuelle or who personally deals with the Mutuelle or one of its Members
- v. the spouse, child or stepchild of the persons described in subparagraphs i, ii, iii and iv.

All equal before the members

In keeping with the principle of mutuality, the By-Laws provide that each member has one vote for each position on the Board of Directors.

The By-Laws also provide that vacancies on the Board that occur during the term will need to be filled by election by the members.

Note that the translation of the provisions is not official and that the official French version takes precedence.



MEMBERS OF THE 2022 BOARD OF DIRECTORS AND OFFICERS

2022 COMMITTEE MEMBERS

LOUIS HÉROUX, Chairman

Elected on May 27, 2021, and Chairman since May 27, 2021
Independent Director

ANDRÉ BOUCHARD, Vice-President

Elected on May 27, 2021, and Vice-President since
May 27, 2021
Northern Region

LUCIEN BERGERON, Director

Elected on May 27, 2021
Independent Director

DENIS CAPISTRAN, Director

Elected on May 27, 2021
Southern Region

NIQUETTE DELAGE, Director

Elected on May 27, 2021
Central Region

SÉBASTIEN FROIDEVAUX, Director

Elected on May 27, 2021
Other Institutions

NORMAND LAFRENIÈRE, Director

Elected on May 27, 2021
Independent Director

NON-BOARD INTERNAL OFFICERS

CHIEF EXECUTIVE OFFICER

Serge Ouellette, *departure in February 2022*
Colette St-Martin, *interim from February to September 2022*
François Dufault, *since September 2022*

CORPORATE SECRETARY

Colette St-Martin

CHIEF FINANCIAL OFFICER

Chantal Lapointe

MONITORING AND CONTROL OF COMMERCIAL PRACTICES COMMITTEE *Created on August 12, 2021*

ANDRÉ BOUCHARD

Chairperson since November 15, 2021

NIQUETTE DELAGE

SÉBASTIEN FROIDEVAUX

Since May 24, 2022

LOUIS HÉROUX

AUDIT COMMITTEE

NORMAND LAFRENIÈRE

Chairperson since July 13, 2021

LUCIEN BERGERON

DENIS CAPISTRAN

Since May 24, 2022

SÉBASTIEN FROIDEVAUX

LOUIS HÉROUX

Ex-officio member

ETHICS COMMITTEE

NIQUETTE DELAGE

Chairperson since July 12, 2021

ANDRÉ BOUCHARD

LOUIS HÉROUX

Ex-officio member

NORMAND LAFRENIÈRE



BOARD OF DIRECTORS AND COMMITTEES

MANDATE OF THE CHAIRMAN

The Chairman directs the work of the Board. He is the main link between the Board and senior management and ensures that the decisions of the Board are implemented. He acts as the Mutuelle's representative in all matters that fall under the jurisdiction of the Board of Directors.

BOARD OF DIRECTORS

The Board of Directors governs the Mutuelle. Its role is to oversee and guide the activities of the Mutuelle in order to ensure its health and sustainability. It is responsible for assuming the duties and responsibilities provided for by the legislation and guidelines issued by the Autorité des marchés financiers (AMF) and exercises all the powers necessary for this purpose. In particular, it may create management positions, committees and any other body necessary for the Mutuelle's operations and the achievement of its mission.

The Board of Directors may allocate sums to special projects, decide on an attribution, make distinctions between categories of members and take any other decision of the same nature.

AUDIT COMMITTEE

The Audit Committee must review all financial statements intended for the Board of Directors before they are delivered to it, as well as carry out any other mandate that may, from time to time, be given to it by the Board of Directors.

The Committee must present the financial statements to the Board of Directors and recommend their final approval. In doing so, it must take into consideration any resolutions of the Board pertaining to these statements and act accordingly.

The Committee must correct any errors or inaccuracies in the financial statements and, when the financial statements have been circulated to the members, shall inform the meeting of the members.

ETHICS COMMITTEE

The Ethics Committee must adopt the rules of ethics that the Mutuelle must implement. These rules are binding on the Board of Directors. In addition, it must send a copy of these rules to the AMF.

These rules must include the following subjects:

- 1 the conduct of its directors and officers;
- 2 the conduct of the Mutuelle with individuals and groups interested in it;
- 3 the formalities and conditions of contracts with such persons and groups.

The ethics committee must ensure the application of the rules of ethics and professional conduct and notify the Board of Directors in writing without delay of any breach thereof.

The ethics committee shall submit an annual report on its activities during the fiscal year to the AMF within two months of the end of the Mutuelle's fiscal year.

MONITORING AND CONTROL OF COMMERCIAL PRACTICES COMMITTEE

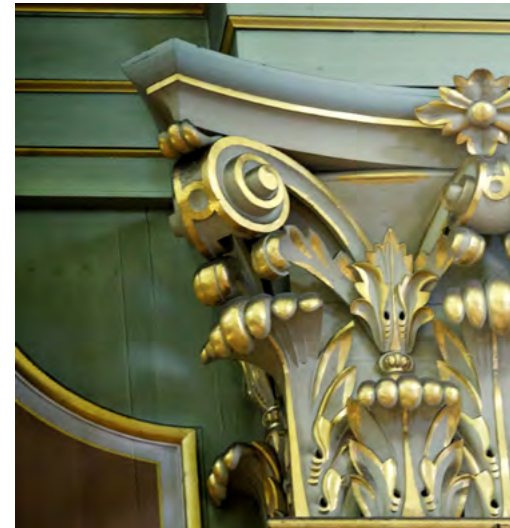
Created in August 2021, the Monitoring and control of commercial practices committee is responsible for monitoring the Mutuelle's business practices as well as compliance with the commitments it makes to policyholders.

It reports annually to the Board of Directors on the implementation of commercial and management practices. In addition, the Committee must, as soon as it becomes aware of a situation that is likely to lead to a significant deterioration in the Mutuelle's financial situation, of another situation that is contrary to sound and prudent management practices or of a situation that is contrary to sound business practices, notify the Board of Directors and the Chief Executive Officer in writing.



FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2022



INDEPENDENT AUDITOR'S REPORT

To the Members of
Compagnie mutuelle d'assurance en Église,

Opinion

We have audited the financial statements of **COMPAGNIE MUTUELLE D'ASSURANCE EN ÉGLISE** (La Mutuelle), which comprise the statement of financial position as at December 31, 2022, and the statements of income, comprehensive income, change in members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of La Mutuelle as at December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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 La Mutuelle 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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 La Mutuelle'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 La Mutuelle or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing La Mutuelle'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 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 La Mutuelle'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 La Mutuelle'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 La Mutuelle 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.

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.

Mallette L.L.P. ¹

Mallette L.L.P.

Partnership of chartered professional accountants

Québec, Canada

February 27, 2023

Opinion of the Actuary

I have valued the policy liabilities and reinsurance recoverables of the Compagnie mutuelle d'assurance en Église for its statement of financial position at December 31, 2022 and their changes in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the insurer's financial records.

The results of my valuation together with amounts carried in the annual return are the following:

Claim Liabilities	Carried in Annual Return (\$'000)	Actuary's Estimate (\$'000)
(1) Direct unpaid claims and adjustment expenses	21,956	21,956
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	21,956	21,956
(4) Amounts recoverable from reinsurers	11,918	11,918
(5) Other recoverables on unpaid claims	0	0
(6) Other liabilities	0	0
(7) Net unpaid claims and adjustment expenses (3) - (4) - (5) + (6)	10,038	10,037
Premium Liabilities	Carried in Annual Return (col. 1) (\$'000)	Actuary's Estimate (col. 2) (\$'000)
(1) Gross unearned premium liabilities		1,170
(2) Net unearned premium liabilities		2,470
(3) Gross unearned premium	2,863	
(4) Net unearned premium	2,863	
(5) Premium deficiency	0	0
(6) Other liabilities	0	0
(7) Deferred policy acquisition expenses	0	
(8) Maximum policy acquisition expenses deferrable [(4)+(5)+(9)] _{col. 1} - (2) _{col. 2}		393
(9) Unearned commissions + Ceded deferred premium taxes + Ceded deferred insurance operations expenses	0	

In my opinion, the amount of policy liabilities net of reinsurance recoverables makes appropriate provision for all policy obligations and the financial statements fairly present the results of the valuation.

Signature 

André Gauthier
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 Toronto, Ontario
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Compagnie mutuelle d'assurance en Église

STATEMENT OF INCOME

For the year ended December 31,

2022

2021

INSURANCE ACTIVITIES

GROSS REVENUE

Gross written premiums	\$ 10,362,902	\$ 10,453,832
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Gross earned premiums	\$ 10,649,257	\$ 10,507,738
Earned premiums ceded to reinsurers	(4,544,855)	(4,067,917)

Net earned premiums	6,104,402	6,439,821
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EXPENSES

Claims and adjustment expenses (Note 9)	8,495,616	1,919,415
Recoveries from reinsurers (Note 9)	(5,315,981)	(917,659)

Net claims and adjustment expenses	3,179,635	1,001,756
Administrative expenses (Schedule A)	2,519,596	2,317,201
Governance expenses (Schedule B)	363,284	357,347

	6,062,515	3,676,304
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GAIN FROM INSURANCE ACTIVITIES	41,887	2,763,517
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INVESTING ACTIVITIES

Investment income (Note 6)	1,409,532	2,169,348
Management and custodial fees	(131,127)	(125,633)

	1,278,405	2,043,715
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EXCESS OF REVENUES OVER EXPENSES BEFORE ATTRIBUTION AND OTHER ITEM

	1,320,292	4,807,232
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Attribution to members	704,501	-
Subsidies to members – Biennial Maintenance Program and other <i>Centre d'entraide et de prévention</i> (Schedule C)	270,708	297,721
	345,083	285,111

	1,320,292	582,832
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EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEM	\$ -	\$ 4,224,400
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Compagnie mutuelle d'assurance en Église

STATEMENT OF INCOME (continued)

For the year ended December 31,

2022

2021

EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER ITEM	\$	-	\$	4,224,400
OTHER ITEM				
Costs resulting from the litigations related to governance (Schedule D)		-		(464,927)
EXCESS OF REVENUES OVER EXPENSES	\$	-	\$	3,759,473

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31,

2022

2021

	2022	2021
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ 3,759,473
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified to the statement of income		
Changes in unrealized gains and losses on available-for-sale investments	(3,788,142)	612,578
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments (Note 6)	(239,924)	(1,058,261)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments (Note 6)	52,961	30,502
Net change that occurred during the year on available-for-sale investments	(3,975,105)	(415,181)
COMPREHENSIVE INCOME	\$ (3,975,105)	\$ 3,344,292

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF CHANGE IN MEMBERS' EQUITY

	Available surplus	Reserved surplus	Accumulated other comprehensive income	Total
BALANCE as at December 31, 2020	\$ 11,778,861	\$ 23,285,500	\$ 3,857,423	\$ 38,921,784
Comprehensive income for the year				
Excess of revenues over expenses	3,759,473	-	-	3,759,473
Other comprehensive income items				
Changes in unrealized gains and losses on available-for-sale investments	-	-	612,578	612,578
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments	-	-	(1,058,261)	(1,058,261)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments	-	-	30,502	30,502
Transfer to reserved surplus (Note 14)	871,500	(871,500)	-	-
BALANCE as at December 31, 2021	16,409,834	22,414,000	3,442,242	42,266,076
Comprehensive income for the year				
Excess of revenues over expenses	-	-	-	-
Other comprehensive income items				
Changes in unrealized gains and losses on available-for-sale investments	-	-	(3,788,142)	(3,788,142)
Reclassification to the statement of income of gains realized on the disposal of available-for-sale investments	-	-	(239,924)	(239,924)
Reclassification to the statement of income of impairment losses recognized on available-for-sale investments	-	-	52,961	52,961
Transfer to reserved surplus (Note 14)	1,340,500	(1,340,500)	-	-
BALANCE as at December 31, 2022	\$ 17,750,334	\$ 21,073,500	\$ (532,863)	\$ 38,290,971

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF FINANCIAL POSITION

As at December 31,

2022

2021

ASSETS

Cash	\$ 5,606,035	\$ 6,061,478
Accounts receivable (Note 7)	3,832,855	3,736,927
Prepaid expenses	91,412	77,873
Investments (Note 8)	42,950,756	45,949,032
Reinsurers' share of the provision for unpaid claims and adjustment expenses (Note 9)	11,917,810	7,907,513
Tangible and intangible assets (Note 11)	530,757	171,737
	\$ 64,929,625	\$ 63,904,560

LIABILITIES

Liabilities related to insurance contracts		
Provision for unpaid claims and adjustment expenses (Note 9)	\$ 21,955,693	\$ 17,938,937
Unearned premiums (Note 10)	2,862,714	3,149,069
	24,818,407	21,088,006
Attribution payable to members	704,501	-
Accounts payable (Note 12)	731,864	550,478
Lease liability (Note 13)	383,882	
	26,638,654	21,638,484

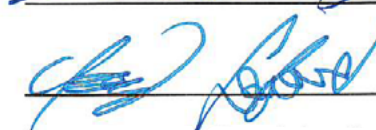
MEMBERS' EQUITY

Available surplus	17,750,334	16,409,834
Reserved surplus	21,073,500	22,414,000
Accumulated other comprehensive income	(532,863)	3,442,242
	38,290,971	42,266,076
	\$ 64,929,625	\$ 63,904,560

Commitments (Note 17)

On behalf of the Board,

 , Director

 , Director

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

Compagnie mutuelle d'assurance en Église

STATEMENT OF CASH FLOWS

For the year ended December 31,

2022

2021

OPERATING ACTIVITIES

Excess of revenues over expenses	\$	-	\$	3,759,473
Non-cash items				
Gains realized on the disposal of available-for-sale investments		(239,924)		(1,058,261)
Impairment losses recognized on available-for-sale investments		52,961		30,502
Amortization of premium on bonds		(46,212)		60,487
Amortization of tangible and intangible assets		90,739		51,585
		(142,436)		2,843,786
Changes in non-cash working capital items		496,524		(1,608,796)
Cash flows related to operating activities		354,088		1,234,990

INVESTING ACTIVITIES

Acquisition of investments		(20,088,424)		(13,240,551)
Disposal of investments		19,344,770		13,610,754
Acquisition of tangible and intangible assets		(38,880)		(124,877)
Cash flows related to investing activities		(782,534)		245,326

FINANCING ACTIVITIES

Reimbursement of the lease liability		(26,997)		(6,456)
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INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

		(455,443)		1,473,860
CASH, beginning of year		6,061,478		4,587,618
CASH, end of year	\$	5,606,035	\$	6,061,478

Cash flows related to operating activities from:

Interest received	\$	337,465	\$	297,594
Dividends received	\$	202,733	\$	251,559
Income from mutual funds received	\$	649,473	\$	659,576

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

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

1. REPORTING ENTITY

Compagnie mutuelle d'assurance en Église is a mutual insurance company under the Insurers Act and a damage insurance firm under the Act respecting the distribution of financial products and services. La Mutuelle is authorized by the Autorité des marchés financiers to underwrite property and liability insurance. La Mutuelle is limited by its by-laws to only offer property and civil liability insurance for buildings and activities of a religious nature. It is exempt from income tax under paragraph 149 (1) (m) of the Income Tax Act.

The primary mission of the *Centre d'entraide et de prévention* (CEP) is to offer additional innovative services aimed at assisting members of La Mutuelle to get various tools in order to identify and mitigate their risks. In addition, the CEP works jointly with La Mutuelle's prevention and claims departments to implement means to raise awareness of loss prevention, and provides all members of La Mutuelle with educational services to improve their risk management.

La Mutuelle is domiciled in Quebec, Canada. La Mutuelle's head office is located at 1071 de la Cathedrale Street, Montreal, Quebec.

2. ROLE OF THE ACTUARY AND INDEPENDENT AUDITOR

The actuary is appointed by the Board of Directors of La Mutuelle. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, for policyholder obligations, the actuary must also provide an opinion on the appropriateness of policy liabilities of La Mutuelle at each financial reporting date. A review regarding the accuracy and completeness of the data used during the evaluation as well as the analysis of La Mutuelle's assets are important elements that are considered when forming the actuary's opinion.

For the purposes of the evaluation, policy liabilities include the provision for unpaid claims and adjustment expenses and unearned premiums, as well as the reinsurers' share of the provision for unpaid claims and adjustment expenses.

The services of the independent auditor are retained by the members at the annual general meeting. His engagement consists of performing an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and reporting to members with respect to the fair presentation of La Mutuelle's financial statements, in accordance with International Financial Reporting Standards. In conducting the audit, the independent auditor considers the work of the designated actuary and his report on the policy liabilities of La Mutuelle. The independent auditor's report indicates the scope of the audit, as well as his opinion.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

3. BASIS OF PREPARATION

Compliance statement

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

La Mutuelle's financial statements were approved by the Board of Directors on February 27, 2023.

Basis of measurement

La Mutuelle's financial statements were prepared on a going concern basis using the historical cost method, except for available-for-sale financial assets, which were valued at fair value as well as liabilities related to insurance contracts prepared in accordance with the accounting policies set out in Note 4.

Functional and presentation currency

The Canadian dollar is La Mutuelle's functional currency, which is the currency of the primary economic environment in which La Mutuelle operates as well as its presentation currency.

Use of estimates and judgments

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

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made and in any future periods affected.

Information about critical judgments made in the application of accounting policies that could have the most significant effect on the amounts recognized in the financial statements is disclosed in Note 8 "Investments" and Note 9 "Provision for unpaid claims and adjustment expenses".

Information about key assumptions relating to the future and estimates that could have the most significant effect on the amounts recognized in the financial statements is disclosed in the following notes:

- Note 8 – Investments;
- Note 9 – Provision for unpaid claims and adjustment expenses and reinsurers' share of provision for unpaid claims and adjustment expenses.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been consistently applied to all periods presented in the financial statements.

Classification of insurance contracts

Contracts issued by La Mutuelle are classified as insurance contracts when La Mutuelle accepts a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The insurance risk is significant if an insured event can oblige the insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Contracts that do not meet this definition are classified as investment or service contracts. La Mutuelle classified all its contracts as insurance contracts. Once classified, the contract keeps the same classification until the end of the contract term even if the insurance risk decreases over the period covered.

Revenue recognition

Premiums are earned on a pro rata basis over the term of the insurance policies and are recognized as revenues. Premiums are recognized as premiums receivable and unearned premiums on the effective date of the contract. Premiums receivable are recognized net of provisions for doubtful accounts.

Income from investments is recognized according to the accrual basis of accounting as follows:

- Interest is recognized based on the number of days the investment is held during the year and is calculated using the effective interest method;
- Amortization of bond discounts and premiums is recognized using the effective interest method;
- Dividends on investments in listed shares are recognized at the ex-dividend date;
- Income from mutual funds is recognized when earned.

Reinsurance

Reinsurance treaties, which transfer a significant insurance risk, fall within the scope of IFRS 4 – Insurance Contracts. Reinsurance contracts are recorded according to the terms of each treaty. Assets related to reinsurance treaties are presented separately from corresponding insurance liabilities. Similarly, revenues and expenses from reinsurance contracts are not offset by the revenues and expenses of the insurance contracts related to them.

Currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the financial reporting date. Revenue and expense transactions denominated in foreign currencies are translated at the rate in effect at the date of the transaction. Exchange gains or losses on financial assets and liabilities are recognized in the statement of income, except for exchange gains or losses on available-for-sale financial assets, which are not monetary items. They are recognized in the changes in unrealized gains and losses on available-for-sale investments under other comprehensive income.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Attribution to members

The attribution to members is determined and approved by the Board of Directors, based on policies in place and La Mutuelle's results, and is paid to members in two annual payments.

Subsidies – Biennial Program

The purpose of La Mutuelle's Biennial Program is to support and facilitate the smooth functioning of fire prevention systems in the buildings of some of the members it insures. The costs of this program are recognized in income when services are incurred.

Centre d'entraide et de prévention

Expenses of the *Centre d'entraide et de prévention* are comprised of salaries and charges related to the *Centre*. These expenses are recognized in income when incurred.

Financial instruments

Financial assets and liabilities are recognized on the settlement date when La Mutuelle becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs.

Financial assets are derecognized when contractual rights on cash flows related to financial assets expire or when financial assets and all significant risks and benefits are transferred.

A financial liability is derecognized when extinguished, terminated, cancelled or expired.

For the purposes of subsequent measurement, financial instruments are classified in the following categories upon initial recognition:

- Available-for-sale financial assets;
- Loans and receivables;
- Other financial liabilities.

All revenues and expenses relating to financial assets recognized in income are presented in investment income or in management and custodial fees, except for the impairment of accounts receivable, which is presented in administrative expenses.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as being in this category or that do not qualify for classification in any other category of financial assets. Cash and cash equivalents, as well as investments, were designated as being available for sale and measured at fair value.

Except for exchange gains or losses related to monetary items that are recognized in the statement of income, investment-related unrealized gains or losses are recognized in other comprehensive income until the gains or losses are realized or an impairment of the financial asset is recognized. For non-monetary available-for-sale financial assets denominated in foreign currencies, exchange gains and losses are included in unrealized gains or losses recognized in other comprehensive income.

When an investment is disposed of or impaired, the gain or loss on disposal, or impairment recognized in other comprehensive income is reclassified under "Investment income".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Premiums receivable from policyholders, interest and dividends receivable, amounts receivable from reinsurers and insurers and other receivables are classified as loans and receivables and initially recognized at fair value, and are subsequently measured at amortized cost according to the effective interest method, including any impairment. Interest payable is recognized in income.

Other financial liabilities

Attribution to members, accounts payable and lease liability are classified as other financial liabilities and initially recognized at fair value, then subsequently at amortized cost according to the effective interest method.

Fair value

The fair value of a financial instrument generally corresponds to the counterparty for which the instrument could be exchanged between knowledgeable and willing parties dealing at arm's length in full competition.

The best evidence of fair value is published price quotations in an active market. The fair value of bonds, shares and mutual funds is based on their closing price at year-end. When the market for a financial instrument is not active, fair value is established using a valuation technique and, as much as possible, data from observable markets.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at fair value through net income, are subject to an impairment test at the end of each financial reporting period. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events after initial recognition of a financial asset and that event has an impact on the estimated future cash flows of the financial asset. The amount of the loss is equal to the difference between the acquisition cost and the current fair value less any impairment to the financial asset previously recognized in net income.

With the exception of available-for-sale equity instruments, if the impairment amount decreases in a subsequent year, and if the decline in value can be objectively tied to an event subsequent to recognition of the impairment, the impairment previously recognized is reversed in net income to the extent that the carrying amount of the investment on the impairment reversal date is not greater than the amortized cost that would have been obtained if the impairment had not been recognized.

When there is evidence of impairment of one or more available-for-sale financial assets, the cumulative loss, recognized in other comprehensive income, must be reclassified in net income. With respect to available-for-sale equity instruments, impairment losses previously recognized in net income are not reversed in net income, but instead directly in the accumulated other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash, Treasury Bills, commercial paper and discounted notes with a maturity of three months or less at acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of change in value.

Reinsurance asset

Reinsurers' share of the provision for unpaid claims and adjustment expenses

La Mutuelle presents the reinsurers' share of the provision for unpaid claims and adjustment expenses in assets to indicate the size of the credit risk associated with reinsurance. Expected reinsurance recoveries from unpaid claims and adjustment expenses are recognized as assets, based on principles consistent with the methods used by La Mutuelle to determine related liabilities.

Impairment

Reinsurance assets are tested for impairment on a regular basis and impairment losses are recorded if necessary. If applicable, La Mutuelle gathers objective evidence of the decline in value and recognizes the impairments using the same process adopted for financial instruments which are measured at amortized cost.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible and intangible assets

Tangible and intangible assets acquired are measured using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, all of which are finite, at the following annual rates:

Leasehold improvements	16.66%
Furniture and office equipment	20%
Microcomputer equipment	33.3%
Rental assets	25%
Internally generated software	20%

The amortization method, residual values and useful lives are reviewed at each year-end and the impact of any change in estimates is accounted for prospectively.

Amortization of tangible and intangible assets is recognized in net income under administrative expenses.

Rental assets

Rental assets are initially recognized at cost, which includes the initial amount of the lease liability.

The rental assets are subsequently depreciated on a straight-line basis from the commencement date of the lease to the first due date between the end of the assets' useful life and the end of the leases. The useful life of a rental asset is assessed on the same basis as La Mutuelle's other tangible assets.

La Mutuelle presents its rental assets with its other tangible and intangible assets.

Impairment of non-financial assets

The carrying value of tangible and intangible assets is reviewed at each year-end to determine whether there is an indication that they are impaired. If such an indication exists, the recoverable amount of the assets is estimated.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, management estimates discounted future cash flows that will likely result from the use and eventual disposal of its asset. The impairment loss is the amount by which the carrying amount of a long-term asset exceeds its recoverable amount.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Liabilities related to insurance contracts

Provision for unpaid claims and adjustment expenses

La Mutuelle presents the provision for unpaid claims and adjustment expenses as a liability to indicate the obligations toward policyholders. This provision is an estimate of the total cost of settling all claims that arose prior to the end of the financial reporting period, whether or not declared to La Mutuelle. Since this provision is necessarily based on estimates, the final value may differ from estimates.

Provision for unpaid claims and adjustment expenses is first of all established on a case-by-case basis, as the claims are made. Complementary provisions are established for late reported claims, reported claims for which insufficient provisions have been made, as well as for all future adjustment expenses related to these claims. These estimates are based on historical data and claims trends, and they take into account the settlement patterns observed. When the effect of the time value of money is significant, the provision for unpaid claims and adjustment expenses is discounted by using a rate reflecting the estimated rate of return from the underlying asset markets. Established estimate practices are periodically reviewed and updated, and all adjustments are reflected in the year's results. Consequently, claims and adjustment expenses are deducted from income as incurred.

Unearned premiums

Unearned premiums represent the written premiums that relate to the unexpired portion of the policy term at year-end.

Liability adequacy test

At the end of each reporting period, La Mutuelle tests the sufficiency of unearned premiums. A liability deficiency would exist if unearned premiums were deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. Potential deficits are fully and immediately recognized in liabilities and net income, by recording an additional expense.

Lease liability

The lease liability is initially recognized at the present value of the lease payments that have not yet been made using the interest rate implicit in the lease contract or, if this rate cannot be easily determined, La Mutuelle's marginal borrowing rate. Lease payments under the lease include fixed payments.

The lease liability is subsequently revalued at amortized cost using the effective interest rate method.

When there is a change in the contractual payments as a result of a change in an index or a rate, the amount of such adjustment to the lease liability is charged against the unamortized cost of the rental asset or to the statement of income when the rental asset is fully impaired.

Lease contracts

La Mutuelle has chosen to apply the exemptions for short-term contracts and contracts involving low-value assets. These contracts are either for a term of twelve months or less or involve underlying assets that are not considered material in value. Payments made under short-term and low-value asset leases are recognized in net income on a straight-line basis over the term of the lease.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Members' equity

Members' equity of La Mutuelle includes available surplus, reserved surplus and accumulated other comprehensive income.

The available surplus consists of undistributed and non-reserved surplus from the current year and prior years.

The reserved surplus has been established to meet liquidity requirements for solvency purposes, and to cover future investments in targeted programs and capital amounts required for future undeclared claims and adjustment expenses.

Accumulated other comprehensive income primarily consists of unrealized gains from financial instruments classified as available for sale.

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New future accounting standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) have published new pronouncements whose application will be mandatory for financial years beginning after January 1, 2022. Several of these new standards will not apply to La Mutuelle's financial statements and are therefore not discussed below.

IFRS 9 – Financial Instruments

In July 2014, the IASB published IFRS 9 – Financial Instruments, which aims to replace IAS 39 – Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, amortization and hedge accounting. La Mutuelle is currently evaluating the impact of this new standard on its financial statements. An amendment to IFRS 4 – Insurance Contracts, published by the IASB on September 12, 2016, provides for certain measures to allow entities, whose principal business model is to issue insurance contracts, the option to postpone the entry into force of IFRS 9 until January 1, 2021, the effective date of IFRS 17 – Insurance Contracts. This exemption remains valid with the publication of IFRS 17 in May 2017. In March 2020, the IASB deferred the effective date of IFRS 17 to January 1, 2023, which also defers the exemption from adopting IFRS 9 until that date. La Mutuelle will avail itself of the deferral until the maximum date allowed.

IFRS 17 – Insurance Contracts

La Mutuelle will apply IFRS 17 to financial years starting from January 1, 2023, which is the date of the first application. IFRS 17 replaces IFRS 4 - Insurance Contracts and will be applied retrospectively as at January 1, 2022, as a result comparative information will be restated. The effects of the adoption of the norm on the financial statements as at January 1, 2022, will be presented in the Statement of Change in Members' Equity.

The analysis of qualitative and quantitative impacts presented below is not exhaustive. It represents the best assessment of La Mutuelle in view of the information available so far, and it is susceptible to change and could be presented differently.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Financial impact

The current accounting standards applicable to claims liabilities are well aligned with IFRS 17. Consequently, according to the preliminary claims of La Mutuelle, the transition to IFRS 17 over IFRS 4 is summarized as follows:

Level of aggregation of insurance contracts

IFRS 17 introduces a new concept of aggregating insurance and reinsurance contracts into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks which are managed together. La Mutuelle divides its insurance and reinsurance contracts into portfolios. Portfolios are divided into groups of contracts based on expected profitability. Groups do not contain contracts issued more than one year apart since they are further subdivided into annual cohorts. This is the level at which La Mutuelle will apply the requirements of IFRS 17. La Mutuelle has established that it manages only one insurance contracts portfolio and one reinsurance contracts portfolio.

Evaluation methods

IFRS 17 introduces a new general measurement model for the recognition and measurement of insurance contracts. Entities also have the option to use a simplified measurement model (Premiums Allocation Approach) for contracts that have a coverage of one year or less or if the liability for remaining coverage accounted for according to this method does not significantly differ from the amount that would have been obtained under the general measurement model. The accounting under the Premium Allocation Approach is similar to the current approach under IFRS 4. The Premium Allocation Approach will be applied to all insurance contracts. La Mutuelle currently evaluates the possibility of using this same approach for reinsurance contracts.

Onerous contracts

Under the Premium Allocation Approach, La Mutuelle assumes that none of the contracts of the portfolio is potentially onerous at the time of the initial accounting, unless the facts and circumstances indicate otherwise.

A loss component of onerous contracts determined based on estimated fulfilment cash flows is included in the liability for remaining coverage at the time of issuance of the insurance contracts and a loss is immediately recognized in net income, which leads to an anticipated accounting compared to IFRS 4. The loss component will be reversed to net income over the coverage period, therefore offsetting incurred claims. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Based on a preliminary assessment, La Mutuelle does not expect to have onerous contracts since contract groups are generally considered profitable.

Discount rate

IFRS 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risk that reflects the characteristics of the liabilities and the duration of each portfolio. La Mutuelle will establish discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. The liability for incurred claims evaluated according to the general model will be discounted using this method.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Discount rate (continued)

Under IFRS 4, claims liabilities are discounted using a rate that reflects the estimated market yield of the underlying assets backing these claims liabilities at the reporting date. Based on a preliminary assessment, the changes in discount methodology are not expected to have a significant impact on transition to IFRS 17 and on an ongoing basis.

La Mutuelle chose to present the whole effects of the changes in market interest rates on the value of insurance assets and liabilities in insurance financial revenues and expenses.

Non-financial risk adjustment

The measurement of insurance contract liabilities includes a risk adjustment which replaces the risk margin under IFRS 4. The IFRS 4 risk margin reflects the inherent uncertainty in the net discounted claims liabilities estimates, whereas the IFRS 17 risk adjustment is the compensation required for bearing the uncertainty that arises from non-financial risk.

La Mutuelle chose to present the change in non-financial risk adjustment in insurance revenue.

Insurance revenue

Under IFRS 17, direct premiums written will no longer be presented in the statement of income and insurance revenue related to premiums will be accounted for using the Premium Allocation Approach. Revenues will be allocated according to elapsed time, usually 12 months, just as under IFRS 4.

Insurance service expenses

Insurance service expenses will include fulfilment cash flows which are costs directly attributable to insurance contracts, as well as direct costs and the allocation of fixed and variable overhead costs, including:

- Incurred claims and other insurance service expenses, which are fulfilment cash flows and include direct incurred claims and costs directly related to fulfilling insurance contracts;
- Losses and reversal losses on onerous contracts, if applicable.

Presentation and disclosures

IFRS 17 introduces significant changes to the disclosure and presentation of insurance contracts in the financial statements including:

- Changes in presentation in the balance sheet where receivables and payables related to insurance contracts, unearned premiums and the provision for unpaid claims and adjustment expenses will be presented together in a single item called insurance contract liabilities. Receivables and payables related to reinsurance contracts as well as reinsurers' share of the provision for unpaid claims and adjustment expenses will be presented together in a single item called reinsurance contract assets;
- Changes in presentation in the statement of income where insurance results will be presented separately from reinsurance results;

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

5. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Presentation and disclosures (continued)

- Results from insurance revenue will consist of the following elements:
 - Insurance service revenue which includes revenues related to insurance contracts,
 - Insurance service expenses which include expenses related to insurance contracts,
 - Reinsurance contracts expenses which include reinsurance premiums,
 - Reinsurance contracts revenue which includes reinsurers' recoveries;
- The results from insurance service revenue will be accounted for without the impact of accretion, which will be presented separately in insurance revenues or expenses;
- Detailed information will be provided on the amounts accounted for as insurance contracts and on the nature and level of risk related to these contracts.

The changes modify the requirements of IAS 1 regarding the information to be provided on the accounting policies. The changes replace all occurrences of « significant accounting policies » by « significant information on accounting policies ». The information on accounting policies is significant if, taken into account collectively with other information included in an entity's financial statements, it could reasonably be expected to influence the decisions of the main users of the general purpose financial statements taken on the basis of these financial statements.

The paragraphs supporting IAS 1 are also modified to specify that the information on accounting policies related to transactions, to other events or to insignificant conditions are not important, and that their presentation is not required. The information on accounting policies can be significant by the nature of the transactions, other events or related conditions, even if the amounts are negligible. However, the information on accounting policies related to transactions, to other events or to significant conditions are not necessarily all important.

The IASB also came up with directives and examples to explain and illustrate the application of the four-step process on the relative importance described in the statement of recommended practice on IFRS 2.

The changes in IAS 1 will be applied to financial years starting from January 1, 2023. The changes will be applied prospectively and the anticipated application is authorized. The changes in the statement of recommended practice on IFRS 2 does not propose a start date nor transitional provisions.

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB published an amendment to IAS 1 – Presentation of Financial Statements. This amendment relates to the classification of liabilities as current or non-current and affects only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of an asset, liability, income or expense or the information that entities disclose about them. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2024. Early adoption is permitted. This amendment will not have any significant impact on La Mutuelle's financial statements.

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NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

6. INVESTMENT INCOME

	2022	2021
Interest	\$ 335,634	\$ 289,072
Amortization of premium on bonds	46,212	(60,487)
Dividends	191,250	253,428
Income from mutual funds	649,473	659,576
Gains realized on the disposal of available-for-sale investments	239,924	1,058,261
Impairment losses recognized on available-for-sale investments	(52,961)	(30,502)
	\$ 1,409,532	\$ 2,169,348

7. ACCOUNTS RECEIVABLE

	2022	2021
Premiums receivable from policyholders	\$ 2,604,456	\$ 3,040,096
Interest and dividends receivable	30,259	43,573
Amounts receivable from reinsurers	1,166,391	628,258
Other	31,749	25,000
	\$ 3,832,855	\$ 3,736,927

La Mutuelle expects to recover all accounts receivable no later than twelve months following the year-end, except for an amount of \$25,000.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

8. INVESTMENTS

	2022		2021	
	Cost	Fair value	Cost	Fair value
Available-for-sale investments				
Bonds				
Federal Government				
Less than one year	\$ 1,697,821	\$ 1,693,745	\$ 1,533,606	\$ 1,529,551
One to five years	6,087,855	5,753,038	6,108,885	6,076,781
More than five years	3,646,537	3,610,740	1,380,816	1,405,122
Provincial Governments				
One to five years	624,278	559,651	463,691	451,770
More than five years	4,760,025	4,222,817	5,799,592	5,767,412
	16,816,516	15,839,991	15,286,590	15,230,636
Canadian shares	3,672,788	4,905,913	5,722,669	7,372,972
American shares	1,187,249	1,384,526	1,082,958	1,823,117
Bond mutual funds	19,780,382	18,329,427	18,506,238	18,730,281
Equity mutual funds	2,079,646	2,490,899	2,028,257	2,792,026
	\$ 43,536,581	\$ 42,950,756	\$ 42,626,712	\$ 45,949,032

For bonds, the cost represents the amortized cost and the nominal value is of \$17,444,000 \$ (2021 – \$15,326,216).

Every six months, La Mutuelle examines its portfolio of available-for-sale financial assets to determine whether impairment must be recognized in net income. In so doing, La Mutuelle must exercise judgment to determine if there is objective evidence of impairment, which includes, among other things, events such as a significant or prolonged decline in the fair value of an equity instrument below its cost. To establish these criteria, La Mutuelle has evaluated historical price fluctuations of securities in its portfolio and the duration of periods when the fair value was lower than the purchase cost.

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

9. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES

The provision for unpaid claims and adjustment expenses, as well as the related reinsurers' share, are estimates subject to material variations due to events that might ultimately affect claims settlement costs, but which have not and may not occur for some time. The variations may also occur as a result of the receipt of additional information regarding claims, changes in the interpretation of contracts by the courts or significant differences compared to historical trends with respect to the severity or frequency of claims.

The procedures that give rise to claims can also influence the development of provisions. Certain class actions were filed with La Mutuelle. Class actions are filed on behalf of all persons in the cited situation. These phenomena increase the complexity of estimating provisions, given the lack of historical data and the few comparable cases. The evolution of class actions involves several elements such as the awareness of newly reported facts, the periods affected, the addition of new cases not reported but related to the class action as well as updated jurisprudence which can significantly modify the best estimates for each fiscal year. The provision for unpaid claims and adjustment expenses determined at year-end is based on management's best estimates.

Method for determining provisions

Methodologies used to determine the provision for unpaid claims and adjustment expenses are the same as those used in the previous year:

- The development method assumes that known claims are the best indicator of future claims development. This method does not depend on exposure units. It is commonly used, except when only a small portion of ultimate claims has been reported. In such a situation, this method would result in excessive volatility;
- The Bornhuetter-Ferguson method assumes that the difference between the observed and expected experience will remain stable and that the future development will not be affected by known claims. Thus undeclared claims depend on exposure units and are combined with declared claims. This method is used when a relatively large number of claims have not yet been declared or when claims are so recent that the information normally used to calculate provisions is not fully available. This method is primarily applied to claims from the most recent years.

The provision for class actions is established on the basis of the best evaluations from management and legal advisers to which an actuarial liability is added.

Claims liabilities include a provision for external claims adjustment expenses. All claims files are entrusted to independent adjusting firms and, consequently, no provision for internal claims adjustment expenses is necessary.

The estimate for the provision for unpaid claims and adjustment expenses is based on various assumptions, including:

- Claims development;
- Discount rate;
- Margin for adverse deviation.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

9. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES (continued)

Sensitivity analysis

The analysis below focuses on the potential variations in certain key assumptions when all other assumptions remain constant, to show the impact on net income and members' equity. This analysis does not include the sensitivity of provisions associated with class action lawsuits.

Sensitivity factors	2022		
	Changes made to assumptions	Increase in the factor	Decrease in the factor
Claims development	10%	\$ (532,985)	\$ 542,631
Discount rate	1%	\$ 101,064	\$ (103,575)

Sensitivity factors	2021		
	Changes made to assumptions	Increase in the factor	Decrease in the factor
Claims development	10%	\$ (308,111)	\$ 320,170
Discount rate	1%	\$ 138,304	\$ (142,691)

The discount rate used by the actuary was 3.4% (2021 – 1.7%).

Reconciliation of the provision for unpaid claims and adjustment expenses

The change in the provision for claims recorded in the statement of financial position for the year ended December 31 and its impact on the unpaid claims and adjustment expenses for the year were as follows:

	2022			2021		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
BALANCE , beginning of year	\$ 17,938,937	\$ 7,907,513	\$ 10,031,424	\$ 18,391,650	\$ 7,514,374	\$ 10,877,276
Increase (decrease) in losses and estimated expenses for claims incurred in prior years	4,943,596	5,127,145	(183,549)	144,012	827,185	(683,173)
Losses and expenses incurred in the current year	3,552,020	188,836	3,363,184	1,775,403	90,474	1,684,929
Net claims and adjustment expenses	8,495,616	5,315,981	3,179,635	1,919,415	917,659	1,001,756
Amounts paid and recovered for claims incurred						
Current year	(1,056,080)	-	(1,056,080)	(802,138)	-	(802,138)
Prior years	(3,422,780)	(1,305,684)	(2,117,096)	(1,569,990)	(524,520)	(1,045,470)
	(4,478,860)	(1,305,684)	(3,173,176)	(2,372,128)	(524,520)	(1,847,608)
BALANCE , end of year	\$ 21,955,693	\$ 11,917,810	\$ 10,037,883	\$ 17,938,937	\$ 7,907,513	\$ 10,031,424

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NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

9. PROVISION FOR UNPAID CLAIMS AND ADJUSTMENT EXPENSES (continued)

The table below summarizes the provision for unpaid claims and adjustment expenses, as well as the reinsurers' share:

	2022			2021		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
Provision for reported claims	\$ 16,681,006	\$ 10,276,069	\$ 6,404,937	\$ 15,125,212	\$ 7,440,282	\$ 7,684,930
Provision for unreported claims	2,690,083	451,528	2,238,555	392,448	(411,175)	803,623
Impact of discount	(753,442)	(463,481)	(289,961)	(367,716)	(175,852)	(191,864)
Impact of margins for adverse deviation	3,338,046	1,653,694	1,684,352	2,788,993	1,054,258	1,734,735
	\$ 21,955,693	\$ 11,917,810	\$ 10,037,883	\$ 17,938,937	\$ 7,907,513	\$ 10,031,424

Reconciliation of the provision for unpaid claims and adjustment expenses (continued)

The table below shows the provision for unpaid claims and adjustment expenses by business line:

	2022			2021		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
Property	\$ 2,410,880	\$ 192,084	\$ 2,218,796	\$ 1,150,838	\$ 316,556	\$ 834,282
Liability	19,544,813	11,725,726	7,819,087	16,788,099	7,590,957	9,197,142
	\$ 21,955,693	\$ 11,917,810	\$ 10,037,883	\$ 17,938,937	\$ 7,907,513	\$ 10,031,424

10. UNEARNED PREMIUMS

The reconciliation of the provision for unearned premiums is as follows:

	2022			2021		
	Insurance contracts	Reinsurance ceded	Net	Insurance contracts	Reinsurance ceded	Net
BALANCE , beginning of year	\$ 3,149,069	\$ -	\$ 3,149,069	\$ 3,202,975	\$ -	\$ 3,202,975
Written premiums	10,362,902	4,544,855	5,818,047	10,453,832	4,067,917	6,385,915
Premiums earned during the year	(10,649,257)	(4,544,855)	(6,104,402)	(10,507,738)	(4,067,917)	(6,439,821)
BALANCE , end of year	\$ 2,862,714	\$ -	\$ 2,862,714	\$ 3,149,069	\$ -	\$ 3,149,069

The liability adequacy tests performed at the end of each financial reporting period did not result in the recognition of any additional liability during the years ended December 31, 2022 and 2021.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

11. TANGIBLE AND INTANGIBLE ASSETS

	Leasehold improvements	Furniture and office equipment	Micro- computer equipment	Rental assets	Internally generated software	Total
Cost	\$ 229,890	\$ 126,263	\$ 76,148	\$ 22,090	\$ 619,304	\$ 1,073,695
Accumulated amortization	(226,190)	(126,188)	(75,876)	(12,879)	(534,117)	(975,250)
BALANCE as at December 31, 2020	3,700	75	272	9,211	85,187	98,445
Disposals	-	7,708	14,043	-	103,126	124,877
Amortization	(2,715)	(1,020)	(2,517)	(5,055)	(40,278)	(51,585)
Total changes	(2,715)	6,688	11,526	(5,055)	62,848	73,292
Cost	229,890	133,971	90,191	22,090	722,430	1,198,572
Accumulated amortization	(228,905)	(127,208)	(78,393)	(17,934)	(574,395)	(1,026,835)
BALANCE as at December 31, 2021	985	6,763	11,798	4,156	148,035	171,737
Disposals	-	765	33,968	410,879	4,147	449,759
Amortization	(985)	(1,557)	(9,046)	(29,837)	(49,314)	(90,739)
Total changes	(985)	(792)	24,922	381,042	(45,167)	359,020
Cost	-	8,473	56,171	410,879	726,577	1,202,100
Accumulated amortization	-	(2,502)	(19,451)	(25,681)	(623,709)	(671,343)
BALANCE as at December 31, 2022	\$ -	\$ 5,971	\$ 36,720	\$ 385,198	\$ 102,868	\$ 530,757

La Mutuelle wrote-off the following tangible assets:

	2022	
	Cost	Accumulated amortization
Leasehold improvements	\$ 229,890	\$ 229,890
Furniture and office equipment	126,263	126,263
Microcomputer equipment	67,988	67,988
Rental assets	22,090	22,090
	\$ 446,231	\$ 446,231

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

12. ACCOUNTS PAYABLE

	2022	2021
Suppliers and accrued liabilities	\$ 320,567	\$ 341,818
Accrued salaries and vacations	411,297	208,660
	\$ 731,864	\$ 550,478

13. LEASE LIABILITY

	2022	2021
BALANCE , beginning of year	\$ -	\$ -
New lease liability	410,879	-
Reimbursement of lease liability	26,997	-
BALANCE , end of year	\$ 383,882	\$ -

Due dates

The due dates of the lease liability are the following:

	Contractual payments	Financial expenses	Total
Less than one year	\$ 117,274	\$ (26,182)	\$ 91,092
From one to five years	\$ 322,505	\$ (29,715)	\$ 292,790

14. CAPITAL MANAGEMENT

La Mutuelle defines its capital as members' equity. The capital management objective of La Mutuelle is to maintain sufficient capital to ensure business continuity and maintain the confidence of reinsurers, the Autorité des marchés financiers (AMF) and its members. La Mutuelle's statutes do not allow the raising of capital other than by collecting premiums from its members.

The actuary, appointed by the Board of Directors in accordance with the Insurers Act (Quebec), prepares an annual assessment of the financial position of La Mutuelle. As part of the assessment, the actuary performs a Financial Condition Testing of which one objective is to verify the capital adequacy of La Mutuelle despite plausible unfavourable events. These documents are submitted and presented to the Board of Directors.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

14. CAPITAL MANAGEMENT (continued)

La Mutuelle is subject to the requirements of the AMF, which has issued a directive regarding a minimum capital test (MCT) of 150%. La Mutuelle's management has set as an internal target, a required minimum capital ratio of 350%. As a result, an amount of \$21,073,500 was reserved for members' equity. To set the internal target, La Mutuelle assessed the impact of moderately adverse scenarios with a 10% probability of occurrence.

Throughout the year, La Mutuelle complied with AMF requirements and the target set by the Board of Directors. At year-end, the situation was presented as follows:

	2022	2021
Available capital	\$ 38,189,000	\$ 42,119,000
Minimum capital required	6,021,000	6,404,000
Excess capital available over minimum capital required	\$ 32,168,000	\$ 35,715,000
MCT Ratio	634%	658%

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT

Objectives and policies for the management of insurance and financial risks

La Mutuelle is exposed to various risks that result from both its insurance and investing activities. Risks are managed by La Mutuelle's Board of Directors whose mission is to identify La Mutuelle's main risks and implement relevant policies and procedures to take a proactive and integrated approach to risk management.

With respect to financial management, an investment policy was developed and is updated on a regular basis. The purpose of the policy is to provide a decision-making framework for the investment manager. La Mutuelle does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes. The control procedures in the policy ensure sound management of investment-related risks.

Insurance risk

The most significant risks that La Mutuelle must manage with respect to insurance contracts are as follows:

Underwriting risk

Underwriting risk is the exposure to financial loss resulting from the selection and approval of risks to be insured, as well as the reduction, retention and transfer of risks. This risk is significant due to the magnitude of the risks covered in relation the volume of annual premiums.

Insurance policies are written in accordance with management practices and applicable regulations, taking into account La Mutuelle's risk tolerance and underwriting standards, which are endorsed by its reinsurers.

Given the major changes in the policyholder market, such as the certain diminishment of the number of buildings, the reduction of resources available to manage and maintain them, and the fact that La Mutuelle cannot significantly increase members' premiums, the management undertakes a yearly planning and risk management exercise aimed at personalizing and optimizing its offer. This will mean, notably, the establishment of underwriting policies and service programs presenting an added value for the members while improving the risk profile of the policy portfolio.

Under its integrated risk management process, La Mutuelle reviews its portfolio risk profile annually in order to validate the adequacy of its underwriting policies. On a regular basis, client files are reviewed based on La Mutuelle's standards which may be, in certain cases, implemented gradually.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Extreme claims risk

Extreme claims risks can be divided between very high intensity claims pertaining to one contract and one policyholder or with low intensity claims that affect a large number of contracts and policyholders.

La Mutuelle uses reinsurance to reduce the loss that is likely to incur following events that give rise to claims. In addition, it protects itself from extreme claims risk by entering into several non-proportional per event reinsurance treaties.

La Mutuelle has entered into several reinsurance treaties whereby it cedes a premium to registered reinsurers in exchange for covering a portion of the claims.

The main characteristic of the reinsurance treaties in effect for the 2022 fiscal year is to limit the maximum loss for La Mutuelle to \$650,000 per event (maximum loss of \$500,000 per occurrence plus 10% of the \$1.5 million portion in excess of \$500,000).

For the 2022 fiscal year, La Mutuelle purchased a comprehensive catastrophe reinsurance of \$45,000,000 in property for earthquakes only, \$35,000,000 in property insurance for other causes of claims and \$10,000,000 in liability insurance, and this, to protect all of its maximum losses.

Reinsurance risk

Reinsurance risk can arise either from the failure of a reinsurer to meet its commitments or from changes in prevailing market conditions, which could result in reinsurance no longer being available, contract terms no longer being sufficient, or reinsurance rates increasing substantially.

The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect La Mutuelle's ceded volume and profitability. Reinsurance companies exclude some types of coverage from the contracts La Mutuelle purchases from them or may alter the terms of such contracts from time to time. These gaps in reinsurance protection expose La Mutuelle to greater risk and greater potential loss and could adversely affect its ability to underwrite future business. When La Mutuelle cannot successfully mitigate risk through reinsurance arrangements, consideration is given to reducing protections offered in order to lower its risk.

Given the low ratio between the volume of premiums and the magnitude of certain risks, La Mutuelle is highly dependent economically on its reinsurers and therefore, must maintain their interest to renew their treaties annually.

The maintenance of effective underwriting and prevention practices by La Mutuelle, particularly for high-value risks, and evaluating the underwriting risks, are essential measures to preserve a long-term relationship of trust with reinsurers.

All treaties expiring on December 31, 2022, have been renewed for a period of one year.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Regulatory and governance risk

Since a legal or regulatory change can directly influence the profitability of an economic activity, La Mutuelle has developed a legal environment compliance program with a legal firm to protect itself from this risk.

In addition, La Mutuelle works closely with regulatory authorities and stays abreast of legal and regulatory changes to evaluate their impact on its capacity to meet solvency requirements and other obligations.

The quality of governance is a crucial factor for entities operating in the field of insurance. Consequently, it is essential that the directors adhere to the values and objectives of La Mutuelle. One of the roles of the Ethics Committee is to ensure compliance with the policies and procedures put in place by La Mutuelle in terms of governance. To do this, the Ethics Committee has a well-established framework and can use the services of a third party to support it and thus preserve the reputational risk. This committee adopted a new Code of Ethics and Professional Conduct in September 2021.

Concentration risk

Over 86% (2021 – 86%) of gross premiums written by La Mutuelle are based on the property insurance line of business. These risks are geographically distributed on a relatively even basis, except for urban areas, primarily Montréal. However, the main concentration risk lies in the very nature of La Mutuelle's market. Under its licence as an insurer, La Mutuelle can solely insure legal entities of religious nature and not-for-profit organizations with charitable, social or religious purposes.

According to the clauses of the contracts in effect, La Mutuelle's responsibility towards its members is limited to \$100,000,000 per claim of any kind. This limitation complies with the by-laws adopted by the Board of Directors of La Mutuelle.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Claims development

La Mutuelle is exposed to the risk that the claims provision appearing on the statements of comprehensive income is potentially insufficient. The "Property" provision risk is relatively low, since the estimate is based on the insured amount of the damaged property or on a repair estimate and the settlement period is relatively short. The liability insurance risk is greater. La Mutuelle retains the services of an external actuary to assess this provision.

The claims development tables below show the changes in provisions for unpaid claims and adjustment expenses per accident year. As at December 31, 2022, claims development was as follows:

	2012 and before	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims incurred												
At the end of the year	\$ -	\$ 3,700,625	\$ 1,219,001	\$ 1,442,187	\$ 1,947,656	\$ 2,085,262	\$ 1,096,546	\$ 3,022,810	\$ 1,305,306	\$ 1,545,960	\$ 3,479,739	
One year later	-	3,656,522	1,020,807	971,384	1,425,676	1,449,935	769,933	2,829,969	1,221,076	1,626,112	-	
Two years later	-	3,651,466	943,987	1,380,286	1,419,483	1,565,124	810,004	2,843,824	1,074,973	-	-	
Three years later	-	3,663,398	945,504	1,649,583	1,414,340	1,739,350	769,399	3,325,327	-	-	-	
Four years later	-	3,620,053	1,799,561	1,819,988	1,414,340	1,679,894	766,413	-	-	-	-	
Five years later	-	3,659,752	1,799,561	1,825,990	1,414,340	1,609,018	-	-	-	-	-	
Six years later	-	3,659,752	1,813,198	1,791,653	1,414,340	-	-	-	-	-	-	
Seven years later	-	3,659,752	1,814,711	1,794,570	-	-	-	-	-	-	-	
Eight years later	-	3,659,752	1,814,711	1,794,570	-	-	-	-	-	-	-	
Nine years later	-	3,659,752	-	-	-	-	-	-	-	-	-	
Ultimate claims incurred	59,041,611	3,659,752	1,814,711	1,794,570	1,414,340	1,609,018	766,413	3,325,327	1,074,973	1,626,112	3,479,740	79,606,567
Paid claims	(42,380,987)	(3,659,752)	(1,804,828)	(1,794,570)	(1,414,340)	(1,607,002)	(766,413)	(3,249,425)	(1,070,473)	(1,431,608)	(1,056,080)	(60,235,478)
Unpaid claims	\$ 16,660,624	\$ -	\$ 9,883	\$ -	\$ -	\$ 2,016	\$ -	\$ 75,902	\$ 4,500	\$ 194,504	\$ 2,423,660	19,371,089
Impact of discounting and margins												2,584,604
												\$ 21,955,693

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Claims development (continued)

Net

	2012 and before	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims incurred												
At the end of the year	\$ -	\$ 1,354,898	\$ 379,692	\$ 570,449	\$ 607,791	\$ 804,818	\$ 1,092,046	\$ 2,352,802	\$ 1,205,555	\$ 1,461,000	\$ 3,296,327	
One year later	-	1,348,276	296,077	501,680	439,590	535,915	759,157	2,291,038	1,204,558	1,620,541	-	
Two years later	-	1,343,315	263,589	907,763	432,024	660,782	810,004	2,283,181	1,075,153	-	-	
Three years later	-	1,351,533	264,132	1,040,912	428,938	854,285	769,399	2,338,336	-	-	-	
Four years later	-	1,341,041	408,188	1,192,232	428,938	806,506	766,413	-	-	-	-	
Five years later	-	1,365,347	408,188	882,667	428,938	735,631	-	-	-	-	-	
Six years later	-	1,365,347	416,371	882,667	428,938	-	-	-	-	-	-	
Seven years later	-	1,365,347	417,278	882,667	-	-	-	-	-	-	-	
Eight years later	-	1,365,347	417,278	-	-	-	-	-	-	-	-	
Nine years later	-	1,365,347	-	-	-	-	-	-	-	-	-	
Ultimate claims incurred	18,548,820	1,365,347	417,278	882,667	428,938	735,631	766,413	2,338,336	1,075,153	1,620,541	3,296,327	31,475,451
Paid claims	(12,346,954)	(1,365,347)	(411,349)	(882,667)	(428,938)	(733,614)	(766,413)	(2,338,336)	(1,070,653)	(1,431,608)	(1,056,080)	(22,831,959)
Unpaid claims	\$ 6,201,866	\$ -	\$ 5,929	\$ -	\$ -	\$ 2,017	\$ -	\$ -	\$ 4,500	\$ 188,933	\$ 2,240,247	\$ 8,643,492
Impact of discounting and margins												1,394,391
												\$ 10,037,883

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks

The main financial risks to which La Mutuelle is exposed, including its financial risk management policies, are described below.

Credit and counterparty risk

Credit risk is the risk of financial loss if the counterparty to a transaction defaults on its commitments. La Mutuelle is exposed to this type of risk through its cash holdings, premiums receivable from policyholders, portfolio investments in bonds and amounts receivable from reinsurers.

Cash is held with a recognized financial institution with a good credit rating so as to reduce the credit risk associated with this asset.

The premiums receivable from policyholders are generally prepaid and are continuously managed. As a result, La Mutuelle's exposure to doubtful accounts is not significant.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liabilities and reinsurance contracts. Although La Mutuelle has entered into reinsurance contracts, it is not released from its direct obligations to its policyholders and hence there is a credit risk in respect of the insurance ceded, to the extent that any reinsurer might be unable to meet its obligations under such reinsurance contracts. Consequently, La Mutuelle diversifies its reinsurance portfolio to avoid dependence on a single reinsurer. In addition, during the selection process, in compliance with its reinsurance policy, La Mutuelle deals with insurers registered in Canada and subjects them to a credit checking procedure. Under the policy, major reinsurers should have a minimum "BBB" financial rating from Standard & Poor's at the signing of contracts. Since it is generally limited to registered reinsurers, La Mutuelle does not require security from its reinsurers. On each financial information reporting date, La Mutuelle assesses the reinsurers' shares of insurance liabilities and amounts receivable from reinsurers and establishes provisions for reinsurance amounts deemed uncollectible. As at December 31, 2022 and 2021, none of the reinsurers had suffered a deterioration of its financial ratings in comparison to the reinsurance policy criteria. Management considers that as at December 31, 2022 and 2021, La Mutuelle was not exposed to a significant loss with respect to its reinsurers.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Credit and counterparty risk (continued)

Regarding portfolio investments in bonds, criteria regarding the credit rating of issuers and exposure limits by lender, which encourage the diversification of investments in bonds, protect La Mutuelle from the risks that a payment default could have a material impact on income.

	<u>2022</u>	<u>2021</u>
Bonds by credit rating		
AAA/Aaa/A-1	70%	69%
AA/Aa/A-2	10%	3%
A/A-3	20%	28%

The carrying value presented in the statement of financial position of La Mutuelle's financial assets exposed to a credit risk generally reflects the maximum amount of credit risk to which La Mutuelle is exposed.

On each closing date, none of the financial assets exposed to a credit risk are impaired. In addition, La Mutuelle considers that on each closing date, the credit quality of all the above-listed financial assets, which are not impaired or past due, is rated good.

As at December 31, 2022 and 2021, La Mutuelle had no past due financial assets.

Liquidity risk

Liquidity risk is the risk that the necessary funds cannot be made available, in a timely manner and at a reasonable price, to cover La Mutuelle's commitments as they become payable and to support anticipated growth resulting from its strategic planning.

To manage its cash flow requirements, La Mutuelle keeps the necessary financial resources available in accordance with its investment policy and by matching them with its liability commitments.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk (continued)

The tables below show the cash flow amounts related to insurance contract liabilities and other financial liabilities by maturity grouping, as well as the maturity of assets backing liabilities related to insurance contracts. Bonds are presented according to the maturity of the financial instrument, although they remain available for sale.

	2022			Total
	Less than one year	One to five years	More than five years	
Liabilities				
Provision for unpaid claims and adjustment expenses discounted	\$ 3,278,293	\$ 18,657,643	\$ 19,757	\$ 21,955,693
Accounts payable	731,864	-	-	731,864
Lease liability	91,092	292,790	-	383,882
Attribution payable to members	704,501	-	-	704,501
	\$ 4,805,750	\$ 18,950,433	\$ 19,757	\$ 23,775,940
Assets backing liabilities				
Cash	\$ 5,606,035	\$ -	\$ -	\$ 5,606,035
Amounts receivable from reinsurers	1,166,391	-	-	1,166,391
Reinsurers' share of the provision for unpaid claims and adjustment expenses	1,213,737	10,702,673	1,400	11,917,810
Investments	28,804,510	6,312,689	7,833,557	42,950,756
	\$ 36,790,673	\$ 17,015,362	\$ 7,834,957	\$ 61,640,992

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Liquidity risk (continued)

	2021			
	Less than one year	One to five years	More than five years	Total
Liabilities				
Provision for unpaid claims and adjustment expenses discounted	\$ 1,947,390	\$ 15,984,177	\$ 7,370	\$ 17,938,937
Accounts payable	547,110	-	-	547,110
Lease liability	3,368	-	-	3,368
	<u>\$ 2,497,868</u>	<u>\$ 15,984,177</u>	<u>\$ 7,370</u>	<u>\$ 18,489,415</u>
Assets backing liabilities				
Cash	\$ 6,061,478	\$ -	\$ -	\$ 6,061,478
Amounts receivable from reinsurers	628,258	-	-	628,258
Reinsurers' share of the provision for unpaid claims and adjustment expenses	976,013	6,931,500	-	7,907,513
Investments	32,247,947	6,528,551	7,172,534	45,949,032
	<u>\$ 39,913,696</u>	<u>\$ 13,460,051</u>	<u>\$ 7,172,534</u>	<u>\$ 60,546,281</u>

Market risk

Market risk includes several risk categories. Fluctuations in factors such as exchange rates, interest rates and prices of listed financial instruments influence the fair value of available-for-sale financial assets. The latter are particularly sensitive to fluctuations in bond market interest rates and to the fair value of listed financial instruments. This risk is managed by separating financial instruments into several categories and by diversifying in various economic segments and geographical areas.

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

15. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

Financial risks (continued)

Market risk (continued)

Foreign exchange risk

La Mutuelle is exposed to foreign exchange risk due to listed shares being denominated in US dollars.

	2022		2021	
	Canadian dollars	Percentage of total assets	Canadian dollars	Percentage of total assets
Shares				
US dollars	\$ 1,384,526	2.14%	\$ 1,823,117	2.85%

If the Canadian dollar had strengthened or weakened by 10% against the US dollar, with all other variables held constant, La Mutuelle's total assets and comprehensive income would have been lower or higher by approximately \$138,000 (2021 – approximately \$182,000).

La Mutuelle does not enter into contracts so as to hedge its foreign exchange risk exposure.

Concentration risk

Concentration risk arises when investments are made with a single entity or with multiple entities that share similar characteristics. La Mutuelle manages concentration risk by requiring prudent diversification in the portfolios and by establishing an investment policy that is updated on a regular basis.

Interest rate risk

Bonds and bond mutual funds bear interest at fixed rates, thereby exposing La Mutuelle to a risk of change in fair value due to interest rate fluctuations.

If the prevailing interest rate on the market had strengthened or weakened by 1%, with all other variables held constant, La Mutuelle's total assets and comprehensive income would have been lower or higher by approximately \$760,000 (2021 – approximately \$533,000), excluding bond mutual funds.

Price risk

If the price of shares and equity mutual funds traded had strengthened or weakened by 10%, with all other variables held constant, La Mutuelle's total assets and comprehensive income would have been higher or lower by approximately \$878,000 (2021 – approximately \$1,199,000).

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

16. CLASSIFICATION OF FAIR VALUE MEASUREMENT

To reflect the significance of the inputs used in determining fair value measurement, La Mutuelle uses a fair value hierarchy to classify its financial instruments by category. All financial instruments recognized at fair value in the statement of financial position are classified according to a hierarchy that consists of three levels:

- Level 1: Measurement based on quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Measurement techniques based on prices for similar instruments quoted in active markets, prices for identical or similar instruments quoted in markets that are not active, inputs other than quoted prices used in a measurement model, which are observable for the instrument measured, and inputs that are derived principally from observable data or are corroborated by observable market data by correlation or other means;
- Level 3: Measurement techniques based on a significant amount of unobservable market data.

The hierarchy that applies in determining fair value requires the use of observable market data whenever available. A financial instrument is classified at the lowest level of the hierarchy when significant data is taken into account in the fair value measurement.

The following table shows the hierarchy of assets measured at fair value as at December 31, 2022:

	2022			
	Level 1	Level 2	Level 3	Total
Cash	\$ 5,606,035	\$ -	\$ -	\$ 5,606,035
Bonds	11,057,523	4,782,468	-	15,839,991
Listed shares	6,290,439	-	-	6,290,439
Bond mutual funds	18,329,427	-	-	18,329,427
Equity mutual funds	2,490,899	-	-	2,490,899
	\$ 43,774,323	\$ 4,782,468	\$ -	\$ 48,556,791

Compagnie mutuelle d'assurance en Église

NOTES TO FINANCIAL STATEMENTS

As at December 31, 2022

16. CLASSIFICATION OF FAIR VALUE MEASUREMENT (continued)

The following table shows the hierarchy of assets measured at fair value as at December 31, 2021:

	2021			
	Level 1	Level 2	Level 3	Total
Cash	\$ 6,061,478	\$ -	\$ -	\$ 6,061,478
Bonds	9,011,454	6,219,182	-	15,230,636
Listed shares	9,196,089	-	-	9,196,089
Bond mutual funds	18,730,281	-	-	18,730,281
Equity mutual funds	2,792,026	-	-	2,792,026
	\$ 45,791,328	\$ 6,219,182	\$ -	\$ 52,010,510

La Mutuelle assesses the classification of its financial instruments at each year-end date. During the years ended December 31, 2022 and 2021, no transfer was made between the different levels.

17. COMMITMENTS

La Mutuelle has contract commitments until 2026 for the rental of premises, computer systems and equipment. The balance of commitments subsequent to these contracts is established at \$ 322,740 and the minimum payments due in the coming years are as follows:

2023 – \$155,462
2024 – \$ 93,880
2025 – \$ 55,648
2026 – \$ 17,750

18. KEY MANAGEMENT PERSONNEL

Key management personnel includes directors (whether executives or otherwise) as well as members of the management committee. The compensation of key management personnel is as follows:

	2022	2021
Short-term benefits	\$ 866,382	\$ 954,448

The key management personnel's remuneration is set out in Schedules B and D.

Compagnie mutuelle d'assurance en Église

SCHEDULES

For the year ended December 31,

2022

2021

A - ADMINISTRATIVE EXPENSES

Salaries	\$ 1,266,085	\$ 1,078,256
Employer contributions	250,509	205,873
Advertising	3,470	2,248
Contributions	17,254	14,474
Inspections	49,847	31,153
Insurance	67,461	54,588
Meeting expenses	3,412	1,611
Miscellaneous	9,430	15,638
Postage and courier	11,207	8,830
Professional fees	358,497	371,446
Rent	100,133	128,963
Repairs and maintenance	6,825	8,801
Stationery and office supplies	21,279	3,967
Taxes and permits	9,908	9,694
Telecommunication and IT services	239,839	325,745
Training expenses	6,397	6,151
Travel expenses	7,304	3,233
Amortization of tangible and intangible assets	90,739	46,530
	\$ 2,519,596	\$ 2,317,201

B - GOVERNANCE EXPENSES

Directors' remuneration	\$ 207,078	\$ 113,903
Employer contributions	16,355	11,229
Assembly and meeting expenses	23,739	11,782
Professional fees	112,279	118,168
Provisional administration expenses	-	101,260
Travel expenses	3,833	1,005
	\$ 363,284	\$ 357,347

C - CENTRE D'ENTRAIDE ET DE PRÉVENTION

Salaries	\$ 269,203	\$ 220,496
Employer contributions	57,631	44,081
Miscellaneous	716	1,746
Products	(3,375)	(1,970)
Professional fees	19,392	14,400
Travel expenses	1,516	1,303
Amortization of tangible assets	-	5,055
	\$ 345,083	\$ 285,111

Compagnie mutuelle d'assurance en Église

SCHEDULES

For the year ended December 31,

2022

2021

D - COSTS RESULTING FROM THE LITIGATIONS RELATED TO GOVERNANCE

Provisional administrator's remuneration	\$	-	\$	29,375
Legal fees and other				<u>435,552</u>
	\$	-	\$	<u>464,927</u>



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