

# 2024 Consolidated Financial Report

Foresters Life  
Insurance Company

Year ended  
December 31, 2024



## Consolidated Financial Statements and Notes - Table of Contents

	Page #
Management Statement On Responsibility For Financial Reporting	2
Appointed Actuary's Report	3
Independent Auditor's Report	4
Consolidated Statement of Comprehensive Income (Loss)	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Description of Business	11
Note 1 Material Accounting Policies	11
Note 2 Accounting and Reporting Changes	29
Note 3 Financial Instruments	30
Note 4 Investments for Account of Segregated Fund Unit Holders	35
Note 5 Property and Equipment	36
Note 6 Employee Benefit Plan	37
Note 7 Intangible Assets	37
Note 8 Risk Management	37
Note 9 Other Liabilities	46
Note 10 Insurance Contracts Issued and Reinsurance Contracts Held	46
Note 11 Investment contract liabilities - Excluding segregated funds	68
Note 12 Capital Management	68
Note 13 Fee Revenue and Other Operating Income	70
Note 14 Expenses	70
Note 15 Income Taxes	71
Note 16 Related Party Transactions	73
Note 17 Contractual Obligations and Commitments	74
Note 18 Contingent Liabilities	76
Note 19 Principal Subsidiaries	76
Note 20 Comparative Information	76

## MANAGEMENT STATEMENT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements have been prepared by management, who are responsible for their integrity, objectivity and reliability. International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada ("OSFI") have been applied and management has exercised its judgment and made best estimates where deemed appropriate. In the opinion of management, the consolidated financial statements fairly reflect the financial position, results of operations and cash flows of Foresters Life Insurance Company (the "Company") within reasonable bounds of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains an extensive system of internal accounting controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy of operation of the control systems is monitored by an internal audit department.

The Board of Directors, acting through the Audit and Compliance Committee, which comprises directors who are not officers or employees of the Company, oversees management responsibility for the financial reporting and internal control system.

The Appointed Actuary is appointed by the Board of Directors to carry out an annual valuation of liabilities for future benefits. In performing this valuation, the Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of insurance contract liabilities are in accordance with accepted actuarial practice and requirements. The Appointed Actuary is required to provide an opinion regarding the appropriateness of insurance and investment contract liabilities at the balance sheet date to meet all policyholders' obligations. Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the amount of insurance and investment contract liabilities are important elements of the work required to form this opinion. The Appointed Actuary is also required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the Company's capital adequacy under several adverse but plausible conditions using the relevant Standards of Practice of the Canadian Institute of Actuaries. In carrying out her work, the Appointed Actuary may consider the work of the internal audit department and PricewaterhouseCoopers LLP Chartered Professional Accountants ("Auditors") who were appointed by the Audit Committee on February 13, 2024. The Appointed Actuary's Report outlines the scope of the valuation and the Actuary's opinion.

The Company engages external Auditors to express an opinion on the financial statements. The responsibility of these Auditors is to carry out an independent and objective audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and report regarding the fairness of presentation of the Company's consolidated financial statements in accordance with IFRS, including the accounting requirements of OSFI. In carrying out their audit, the Auditors also make use of the work of the Appointed Actuary and her report on the insurance and investment contract liabilities. The Auditor's report outlines the scope of their audit and their opinion.



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Matthew M. Berman  
President and Chief Executive Officer



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Alvin Sharma  
Chief Financial Officer

Toronto, Ontario, Canada  
February 19, 2025

## APPOINTED ACTUARY'S REPORT

To the policyholders and shareholder of Foresters Life Insurance Company

I have valued the policy liabilities of Foresters Life Insurance Company for its consolidated financial statement prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2024.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the consolidated financial statements fairly present the results of the valuation.



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Trudy Engel  
Fellow, Canadian Institute of Actuaries

Toronto, Ontario, Canada  
February 19, 2025



## Independent auditor's report

To the Shareholder of Foresters Life Insurance Company

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Foresters Life Insurance Company and its subsidiaries (together, the Company) as at December 31, 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of comprehensive income (loss) for the year ended December 31, 2024;
- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### 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 consolidated financial statements* section of our report.

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

#### Independence

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

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### Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 23, 2024.

PricewaterhouseCoopers LLP  
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 19, 2025



**Foresters Life Insurance Company**  
**Consolidated Statement of Comprehensive Income (Loss)**  
**For the years ended December 31**  
**(in thousands of Canadian dollars)**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
Insurance revenue	10	\$ 237,175	\$ 222,941
Insurance service expenses	10	(397,377)	(252,392)
Net recovery from reinsurance contracts held	10	137,027	26,978
<b>Insurance service result</b>		<b>(23,175)</b>	<b>(2,473)</b>
Net investment income (loss) excluding result of segregated funds	3	54,983	59,383
Net investment income (loss) related to segregated funds net assets		2,360	1,166
Financial changes related to segregated funds net liability		(2,360)	(1,166)
Net investment result of segregated funds		—	—
<b>Investment return</b>		<b>54,983</b>	<b>59,383</b>
Net finance income (expenses) from insurance contracts	10	(25,543)	(108,445)
Net finance income (expenses) from reinsurance contracts held	10	7,959	73,282
Interest on investment contract liabilities		(69)	(69)
<b>Net financial result</b>		<b>37,330</b>	<b>24,151</b>
Fee revenue and other operating income	13	1,129	1,647
Operating expenses	14	(5,094)	(11,775)
<b>Income (Loss) before income taxes</b>		<b>10,190</b>	<b>11,550</b>
Current income tax benefit (expense)	15	(3,028)	(3,506)
Deferred income tax benefit (expense)	15	(929)	(1,701)
<b>Total Income Taxes</b>		<b>(3,957)</b>	<b>(5,207)</b>
<b>Net Income (Loss)</b>		<b>6,233</b>	<b>6,343</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that will not be reclassified to income (expenses)</i>			
Remeasurement gains (losses) on employee benefit plans, net of income tax expense of \$3 (2023: \$0)	6	7	(1)
<b>Items that will not be reclassified to income (expenses)</b>		<b>7</b>	<b>(1)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>7</b>	<b>(1)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>\$ 6,240</b>	<b>\$ 6,342</b>

The accompanying material accounting policy notes are an integral part of these consolidated financial statements.

**Foresters Life Insurance Company**  
**Consolidated Statement of Financial Position**  
**As at December 31**  
**(in thousands of Canadian dollars)**

	Note	2024	2023
<b>ASSETS</b>			
Cash and cash equivalents	3	\$ 47,768	\$ 71,013
Short-term securities	3	32,156	5,512
Financial assets measured at fair value	3	709,732	727,558
Reinsurance contract held assets	10	904,544	705,555
Accrued investment income		4,721	4,461
Accounts receivable		737	2,182
Other assets		—	253
Property and equipment	5	50	79
Current tax assets	15	4	338
Deferred tax assets	15	30,474	31,406
Intangible assets	7	7,458	9,160
Net investments for accounts of segregated funds	4	13,648	13,173
<b>TOTAL ASSETS</b>		<b>\$ 1,751,292</b>	<b>\$ 1,570,690</b>
<b>LIABILITIES</b>			
Insurance Contract Liabilities – Excluding segregated funds net liabilities	10	\$ 1,439,285	\$ 1,252,010
Insurance Contract Liabilities – Segregated funds net liabilities	10	13,648	13,173
Total insurance contract liabilities		1,452,933	1,265,183
Reinsurance contract liabilities held	10	2	2
Other liabilities	9	176	13,457
Employee benefit obligations	6	244	262
Investment contract liabilities - Excluding segregated fund net liabilities	11	5,418	5,507
<b>TOTAL LIABILITIES</b>		<b>1,458,773</b>	<b>1,284,411</b>
<b>EQUITY</b>			
Participating policyholders' equity		956	1,190
Shareholder's equity			
Common shares	12	50,000	50,000
Contributed surplus	12	316,964	316,964
Retained earnings		(74,011)	(80,478)
Accumulated other comprehensive income		(1,390)	(1,397)
		291,563	285,089
<b>TOTAL EQUITY</b>		<b>292,519</b>	<b>286,279</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 1,751,292</b>	<b>\$ 1,570,690</b>

The accompanying material accounting policy notes are an integral part of these consolidated financial statements.

On behalf of the Board:



Matthew M. Berman  
President and Chief Executive Officer



Daniel John Fortin  
Chair of the Board

**Foresters Life Insurance Company**  
**Consolidated Statement of Changes in Equity**  
**For the years ended December 31**  
**(in thousands of Canadian dollars)**

		Shareholder's equity					Total equity
		Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income – Remeasurement gains (losses) on employee benefit plans	Total shareholder's equity	
<b>Balance as at January 1, 2023</b>	1,241	50,000	296,964	(86,872)	(1,396)	258,696	259,937
Net income (loss)	(51)	—	—	6,394	—	6,394	6,343
Other comprehensive income (loss)	—	—	—	—	(1)	(1)	(1)
Total comprehensive income (loss) for the period	(51)	—	—	6,394	(1)	6,393	6,342
Contribution of capital	—	—	20,000	—	—	20,000	20,000
<b>Balance as at December 31, 2023</b>	1,190	50,000	316,964	(80,478)	(1,397)	285,089	286,279
Net income (loss)	(234)	—	—	6,467	—	6,467	6,233
Other comprehensive income (loss)	—	—	—	—	7	7	7
Total comprehensive income (loss) for the period	(234)	—	—	6,467	7	6,474	6,240
<b>Balance as at December 31, 2024</b>	<b>\$ 956</b>	<b>\$ 50,000</b>	<b>\$ 316,964</b>	<b>\$ (74,011)</b>	<b>\$ (1,390)</b>	<b>\$ 291,563</b>	<b>\$ 292,519</b>

The accompanying material accounting policy notes are an integral part of these consolidated financial statements.

**Foresters Life Insurance Company**  
**Consolidated Statement of Cash Flows**  
**For the years ended December 31**  
**(in thousands of Canadian dollars)**

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flow from operating activities</b>		
Net income (loss)	\$ 6,233	\$ 6,343
Items not affecting cash:		
Depreciation and Amortization	2,295	2,478
Net increase (decrease) in insurance contracts - excluding segregated funds	187,275	128,299
Net (increase) decrease in reinsurance contracts held	(198,989)	(161,996)
Net increase (decrease) in investment contracts	(89)	(29)
Net realized and unrealized (gains) losses on financial investments and derivatives	(22,683)	(28,667)
Deferred income tax expense (recovery)	929	1,701
Net change in other assets and other liabilities	(12,848)	1,524
<b>Increase (decrease) due to operating activities</b>	<u>(44,110)</u>	<u>(56,690)</u>
<b>Cash flow from investing activities</b>		
Investments sold or matured:		
Bonds	646,094	696,323
Short term securities	419,826	212,268
Equities	6,143	4,243
Investments acquired:		
Bonds	(630,134)	(649,233)
Short term securities	(445,960)	(210,562)
Equities	—	(606)
Other items, net	18,663	15,016
<b>Increase (decrease) due to investing activities</b>	<u>14,632</u>	<u>67,449</u>
<b>Cash flow from financing activities</b>		
Contribution of capital	—	20,000
<b>Increase (decrease) due to financing activities</b>	<u>—</u>	<u>20,000</u>
<b>Net increase (decrease) in cash, cash equivalents</b>	(23,245)	37,102
<b>Cash and cash equivalents, beginning of year</b>	71,013	33,911
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 47,768</b></u>	<u><b>\$ 71,013</b></u>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 47,767	\$ 71,012
Cash equivalents	1	1
	<u><b>\$ 47,768</b></u>	<u><b>\$ 71,013</b></u>
<b>Supplementary cash flow information related to operating activities:</b>		
Income taxes paid, net of (refunds)	3,407	3,997
Interest income received	22,026	22,077
Dividend income received	3,431	3,569

The accompanying material accounting policy notes are an integral part of these consolidated financial statements.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## Description of Business

Foresters Life Insurance Company (the "Company") is a stock life insurance company and a wholly owned subsidiary of The Independent Order of Foresters ("Foresters Financial") since demutualization on April 2, 2008. The Company, including its subsidiary, offers products, including life insurance, accident and sickness insurance, and group annuities which are delivered across Canada.

The Company commenced business in Canada in 1898. It is incorporated under the Insurance Companies Act - Canada (the "Act") and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). The Company's registered office is located at 789 Don Mills Road, Toronto, Ontario M3C 1T9 Canada.

## 1. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

### 1.1 Basis of Presentation

#### a) Statement of Compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 19, 2025.

#### b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the following items, which are measured on an alternative basis at each reporting date:

Item	Measurement basis
Financial assets at fair value through profit and loss ("FVTPL")	Fair value
Insurance and reinsurance contracts held	Current value as prescribed by IFRS 17
Investment contracts	Amortized cost
Other impaired non-financial assets	Higher of fair value less costs of disposal and value in use

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition applies to all assets and liabilities measured at fair value except for impairment provisions using value in use to determine the recoverable amount of the asset.

#### c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## d) Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates, judgments and underlying assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The areas where the use of estimates and assumptions have the most significant effect are:

Area of judgement	Applicable to The Company
Insurance contracts issued and reinsurance contracts held	• Classification of insurance contracts issued and reinsurance contracts held, including assessing whether the contract transfers significant insurance risk and whether it contains embedded derivatives, investment components, non-insurance goods and services [Note 10].
	• Whether an insurance contract qualifies as a 'direct participating insurance contract' [Note 10]
	• The level of aggregation of insurance contracts including identifying portfolios and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently [Note 10]
Other	• Recognition of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 15]

Estimates and Assumptions	Applicable to The Company
Financial assets	• Determining the fair value of financial assets and financial liabilities. Primarily in relation to financial instruments which are not traded in an active market which are determined using valuation techniques [Note 3].
Insurance contracts issued and reinsurance contracts held	• Measurement of insurance contracts including future cash flows, risk adjustment for non-financial risk, discount rates, investment components, contractual service margin, weighting of benefits provided by insurance coverage under a contract and allowable expenses [Note 10].
Other	• Measurement of employee post-retirement benefit assets and liabilities [Note 6].
	• Measurement of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 15].

The use of estimates, judgments and assumptions is discussed in more detail in the relevant notes to these consolidated financial statements.

## 1.2 Basis of consolidation

The consolidated financial statements include the results of operations and the financial position of all entities controlled by either the Company or its subsidiaries. Control exists when the Company or one of its subsidiaries has power to direct the activities that significantly affect returns, exposure or rights to variable returns based on the subsidiary's performance and the ability to use its power to affect returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align with the policies of the group. Intra-group transactions are eliminated on consolidation. The Company's principal subsidiaries are listed in note 19.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## 1.3 Foreign currency

Foreign currency transactions are converted to the appropriate functional currency on the date of the transaction. The Company's foreign currency transactions are minimal.

## 1.4 Financial assets and financial liabilities

The following table and accompanying notes explain the measurement categories for each class of the Company's financial assets and financial liabilities.

Cash, cash equivalents and short-term securities	FVTPL
Bonds	FVTPL
Equities	FVTPL
Other invested assets	FVTPL
Derivatives	FVTPL
Investments for accounts of segregated fund unit holders	FVTPL
Non-unit linked investment contracts	Amortized cost
Other liabilities	Amortized cost
Receivables and Payables	Amortized cost

### a) Recognition and initial measurement

All financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.

All financial instruments are initially measured at fair value plus, for a financial asset or financial liability not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

### b) Invested assets - classification and measurement

#### Classification

On initial recognition, a financial asset is classified as measured at FVTPL or amortized cost depending on the business model in which it is managed and its inherent cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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## **Business model assessment**

The Company assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized. Financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

## **Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI Test")**

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g., if there are repayments of principal. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets – e.g., non-recourse asset arrangements; and
- features that modify consideration of the time value of money – e.g., periodic reset of interest rates.

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

The Company has determined that all of its invested financial assets are held in a hold-to-collect-and-sell business model. For invested financial assets supporting insurance, investment contract liabilities and surplus, the Company has elected to use the fair value option to reduce the accounting mismatch between the measurement of the insurance and investment contract liabilities. As a result, all invested financial assets are classified at FVTPL.

## **Measurement after initial recognition**

### **Cash, cash equivalents and short-term securities**

Cash and cash equivalents are comprised of cash balances, overnight deposits, and fixed income securities that are highly liquid and have original maturities of three months or less.

Short-term securities are comprised of notes and commercial paper, carried at FVTPL, and include highly liquid investments with original maturities of more than three months, but less than one year. The carrying value of cash, cash equivalents and short-term securities approximates their fair value.

### **Bonds**

Bonds are designated FVTPL.

The fair value of publicly traded bonds is determined using quoted market mid prices. For non-publicly traded bonds, fair value is determined using a discounted cash flow approach that includes provisions for credit risk and the expected maturities of the securities.

Changes in the fair value of FVTPL bonds are recorded as net investment income (loss), a component of net income on the consolidated statement of comprehensive income (loss).

### **Equities**

Equities are measured at FVTPL by default. The fair value of publicly traded equities is determined using quoted market closing prices. For non-publicly traded equities, fair value is estimated on the basis of dealer quotes or recent transactions of similar investments. Transaction costs on FVTPL equities are expensed. Dividend income and foreign exchange gains (losses) are recognized in the consolidated statement of comprehensive income (loss) on the ex-dividend date.

### **Other Invested Assets**

#### **Limited partnerships**

Limited partnerships classified as FVTPL assets are recorded at fair value. The Company does not have joint control or any significant influence over these partnerships. Fair value is based on the net asset value of the investment where the Company is a limited partner. Realized gains or losses on sale and changes in unrealized gains (losses) are recorded as net investment income (loss), a component of net income on the consolidated statement of comprehensive income (loss).

#### **Seed money investment in segregated funds**

Seed money represents the Company's initial investment in its segregated funds and is measured at fair value. Fair value is based on the net asset value of the segregated investment fund. Changes in fair value are recorded in net income (loss).

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## Interest income

Interest income is recognized in net investment income (loss) using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

The amortized cost of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

## **c) Derecognition**

The Company derecognizes an invested asset only when the contractual rights to the cash flows from the instrument expire, or when substantially all of the risks and rewards of ownership of the asset are transferred.

## **d) Invested assets impairments**

Invested assets other than FVTPL assets are assessed individually for impairment on a quarterly basis. The Company considers various factors in assessing impairments, including but not limited to, the financial condition and near-term prospects of the issuer, specific adverse conditions affecting an industry or region, a significant and prolonged decline in fair value below the cost of an asset, bankruptcy or default of the issuer, and delinquency in payments of interest or principal. Investments are deemed to be impaired when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due.

FVTPL assets are carried at fair value and all realized and unrealized change in gains and losses are recorded in net income, therefore no further impairment decision is necessary.

## **e) Net investment income (loss)**

Investment income net of investment expenses, realized gains (losses) on the sale of investments and changes in the fair value of FVTPL assets are recorded in net investment income (loss) on the consolidated statement of comprehensive income (loss).

## **1.5 Property and equipment**

### Equipment

Equipment consists of computer equipment which is carried at historical cost less accumulated depreciation and impairment losses. When the carrying amount of the asset is greater than the recoverable amount, it is considered to be impaired and is written down through net income (loss).

### Depreciation

Depreciation is recognized in operating expenses on the consolidated statement of comprehensive income (loss) on a straight-line basis over the estimated useful lives of the asset as follows:

Asset type	Useful life
Computer equipment	3 - 5 years

Under IFRS, componentization is required when parts of equipment have different useful lives and each component is accounted for as a separate item. Depreciation methods, useful lives and residual values are reviewed at each year end and adjusted if appropriate. Any changes in estimates are accounted for in the current period.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## Impairment

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than reinsurance assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment loss on equipment is recognized in net income.

## 1.6 Intangible assets

### a) Recognition and measurement

#### Computer software

Computer software is carried at cost less accumulated amortization and impairment losses.

### b) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized as operating expenses on the consolidated statement of comprehensive income (loss).

The estimated useful lives for current and comparative periods are as follows:

Asset type	Useful life
Software	1 – 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### c) Impairment

Intangibles with finite useful lives are reviewed only if there is an indicator for impairment. Impairment losses are recognized immediately in net income.

## 1.7 Insurance Contracts Issued and Reinsurance Contracts Held

The Company measures all insurance contracts issued and reinsurance contracts held using the general model.

### a) Classification

Insurance contract liabilities include life, health and annuity lines of business. Insurance contracts are those contracts that transfer significant insurance risk to the Company. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of an insurance contract for specified future events such as death or disability, that may adversely affect the policyholder and whose amount and timing are uncertain. Insurance and reinsurance contracts also expose the Company to financial risk.

Contracts held by the Company under which it transfers significant insurance risk related to insurance contracts are classified as reinsurance contracts held. The Company enters into reinsurance contracts with reinsurers in order to limit its exposure to significant losses, manage capital and reduce volatility of financial results. Maximum limits have been established for the retention of risks associated with life insurance policies by line of business. Risks in excess of these limits are reinsured with well-established, highly rated reinsurers. The Company enters into two types of reinsurance arrangements:

- quota share reinsurance arrangements held whereby the Company retains a percentage of the risk associated with life insurance policies, and

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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- excess of loss reinsurance arrangements whereby risks in excess of established retention limits are ceded to reinsurers.

Reinsurance contracts held do not relieve the Company of its primary obligation to policyholders. Losses could result if a reinsurer fails to honour its obligations.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these financial statements notes to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

Some contracts entered into by the Company have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts'.

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The Company uses judgment to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value on the underlying items. The measurement approach for insurance contracts with direct participating features is referred to as the variable fee approach. The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee. The Company does not issue any insurance contracts that qualify for measurement under the VFA.

The Company does not use the Premium Allocation Approach (PAA) to measure any insurance contracts issued or reinsurance contracts held.

## **b) Separating components from insurance and reinsurance contracts**

At inception, the Company separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

- derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
- distinct investment components excluding investment contracts with discretionary participation features – i.e., investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Company separates any promises to transfer to a policyholder distinct goods or services other than insurance contract services and accounts for them as separate contracts with customers (i.e., not as insurance contracts).

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Company provides a significant service of integrating the good or service with the insurance component.

## **c) Level of aggregation**

The Company identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and managed together, and is divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Company uses significant judgment to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogenous and will be allocated to the same group without performing an individual contract assessment.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not subsequently reassessed.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Company aggregates reinsurance contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently, and (iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Company tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting the pricing of these contracts such that they result in reinsurance contracts held in a net gain position or a net cost position without a significant possibility of a net gain arising subsequently.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constraints the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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## **d) Recognition**

The Company recognizes a group of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period of group of contracts. The coverage period is the period during which the Company provides coverage for insured events in respect of all premiums within the boundary of an insurance contract.
- The date when the first payment from a policyholder in the group becomes due. If there is no contractual due date, then it is considered to be the date when the first payment is received from the policyholder.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

The Company recognizes reinsurance contracts as follows:

- a group of reinsurance contracts held that provide proportionate coverage is recognized at the later of:
  - i. the beginning of the coverage period of the group of reinsurance contracts held; and
  - ii. the initial recognition of any underlying contract;
- all other groups of reinsurance contracts held are recognized from the beginning of the coverage period of the groups of reinsurance contracts held;

unless the Company entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognized prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognized at the same time as the group of underlying insurance contracts is recognized.

The coverage period is the period during which the Company receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts are added to the group when they are issued or initiated, provided that all contracts in the group are issued or initiated in the same year.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## e) Contract boundaries

The measurement of a group of insurance contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:

Insurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any  A substantive obligation to provide services ends when: <ul style="list-style-type: none"><li>the Company has the practical ability to reassess the risk of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed</li><li>the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.</li></ul>
	The reassessment of risks considers only risks transferred from policyholders to the Company, which may include both insurance and financial risks, but exclude lapse and expense risks.
Reinsurance contracts held	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.  A substantive right to receive services from the reinsurer ends when the reinsurer: <ul style="list-style-type: none"><li>has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or</li><li>has a substantive right to terminate the coverage.</li></ul>

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Company's substantive rights and obligations and, therefore, may change over time.

## f) Measurement

### i) Insurance contracts - initial measurement

On initial recognition, the Company measures a group of insurance contracts as the total of: (a) the fulfillment cash flows, which comprise probability weighted estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the contractual service margin (CSM).

The measurement of the fulfillment cash flows of a group of insurance contracts does not reflect the company's own non-performance risk.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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The CSM of a group of insurance contracts represents the unearned profit that the Company will recognize as it provides services under those contracts. On initial recognition of a group of insurance contracts, if the total of the fulfillment cash flows, any derecognized assets for insurance acquisition cash flows and any cash flows arising at that date is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total is a net outflow, then the group is said to be onerous. In this case, the net outflow is recognized as a loss in the consolidated statement of comprehensive income (loss). A loss component is created to depict any losses recognized in the consolidated statement of comprehensive income (loss), which determines the amounts that are subsequently presented as reversals of losses on onerous groups.

## ii) Insurance contracts - subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC"). The liability for remaining coverage comprises (a) the fulfillment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims comprises the fulfillment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfillment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. The CSM of each group of contracts subsequent to initial recognition is calculated each year.

## iii) Insurance contracts without direct participating features

Contracts without direct participating features are measured using the GMM.

The carrying amount of a the CSM of a group at the end of each year is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfillment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfillment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in the consolidated statement of comprehensive income (loss) and creates a loss component; or
  - any decreases in the fulfillment cash flows are allocated to the loss component, reversing losses previously recognized in the consolidated statement of comprehensive income (loss);
- the effect of any currency exchange differences on the CSM; and
- the amount recognized as insurance revenue because of the insurance contract services provided in the period.

The fulfillment cash flows ("FCF") are updated by the Company for current assumptions at the end of every reporting period using the current estimate of the amount, timing and uncertainty of future cash flows and of the discount rates. The way in which changes in estimates of the fulfillment cash flows are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognized in the consolidated statement of comprehensive income (loss); and



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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- changes that relate to future service are recognized by adjusting the CSM or the loss component with the LRC as per the policy below.

Changes in fulfillment cash flows that relate to future services comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable;
- differences between any loan to a certificate holder (policyholder) expected to become repayable in the period and the actual loan to a certificate holder that becomes repayable in the period. Those differences are determined by comparing (i) the actual loan to a certificate holder that becomes repayable in the period with (ii) the repayment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and
- changes in the risk adjustment for non-financial risk that relate to future services.

The following adjustments do not relate to future service and thus do not adjust the CSM:

- changes in fulfillment cash flows for the effect of the time value of money and the effect of financial risk and changes thereof;
- changes in the fulfillment cash flows relating to the liability for incurred claims; and
- experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For investment contracts with direct participating features which provide discretion as to the timing and amount of cash flows to be paid to policyholders, changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM. At inception The Company specifies its commitment as interest is credited to the policyholders' account based on a return of a pool of assets less a spread. The effect of discretionary changes in the spread on the fulfillment cash flows adjusts the CSM, while the effect of changes in assumptions that relate to financial risk on this commitment are reflected in insurance finance income or expenses. When no commitment is specified, the effect of all changes in assumptions that relate to financial risk and changes on the fulfillment cash flows is recognized in insurance finance income or expenses.

## iv) Reinsurance contracts held - initial measurement

The Company applies the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the remaining coverage component and the incurred claims component. The remaining coverage component comprises (a) the fulfillment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in the consolidated statement of comprehensive income (loss).

The Company's proportional reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a 90-day notice period by either party. Thus, the Company treats such reinsurance contracts as a series of 90-day contracts that cover underlying business issued within 90 days. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within 90 days boundary are included in each of the reinsurance contracts' measurement. The risk adjustment for non-financial risk is the amount of the risk transferred by the Company to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfillment cash flows, any derecognized assets for cash flows occurring before the recognition of the group of reinsurance contracts held and any cash flows arising at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then the Company recognizes the cost immediately in the consolidated statement of comprehensive income (loss) as an expense.

Reinsurance contracts cannot be onerous.

## **v) Reinsurance contracts held - subsequent measurement**

The carrying amount of the CSM at the end of each year is the carrying amount at the start of the year, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfillment cash flows that relate to future services, except to the extent that a change results from a change in fulfillment cash flows allocated to a group of underlying insurance contracts that does not adjust the CSM of the group of underlying contracts, in which case the change is recognized in the consolidated statement of comprehensive income (loss);
- the effect of any currency exchange differences on the CSM; and
- the amount recognized in the consolidated statement of comprehensive income (loss) because of the services received in the period.
- the income recognized in the consolidated statement of comprehensive income (loss) for a group of reinsurance contracts that provides proportionate coverage when a loss is recognized on an onerous group of underlying contracts or when there is an addition of onerous underlying contracts to that group.

## **g) Derecognition and contract modification**

The Company derecognizes contracts when the obligation is discharged or cancelled. The Company also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, then the Company treats the changes in cash flows caused by the modification as changes in estimates of fulfillment cash flows.

On the derecognition of a contract from within a group of contracts:

- the fulfillment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognized;

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

- the CSM of the group is adjusted for the change in the fulfillment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining coverage is adjusted to reflect the coverage units derecognized from the group.

If a contract is derecognized because it is transferred to a third-party, then the CSM is also adjusted for the premium charged by the third-party, unless the group is onerous.

If a contract is derecognized because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognized is measured assuming that, at the date of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

## **h) Presentation**

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the consolidated statement of financial position.

The Company disaggregates amounts recognized in the consolidated statement of comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts' in the insurance service result.

The Company disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

## **i) Insurance revenue**

As the Company provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of insurance contract services at an amount that reflects the portion of consideration the Company expected to be entitled to in exchange for those services.

Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
    - Amounts related to the loss component;
    - Repayments of investment components;
    - Amounts of transaction-based taxes collected in a fiduciary capacity;
    - Insurance acquisition expenses; and
    - The amount related to the risk adjustment for non-financial risk.
  - Changes in the risk adjustment for non-financial risk, excluding:
    - Changes that relate to future coverage (which adjust the CSM); and
    - Amounts allocated to the loss component;
  - Amounts of the CSM recognized in the consolidated statement of comprehensive income (loss) for the services provided in the period; and

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

- Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.
  - Restatement and other changes
- In addition, the Company allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time over the expected coverage of a group of contracts. The Company recognizes the allocated amount as insurance revenue and an equal amount as insurance service expenses.

The amount of the CSM of a group of insurance contracts that is recognized as insurance revenue in each year is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future periods, and recognizing in the consolidated statement of comprehensive income (loss) the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of coverage provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration.

The Company determines coverage units as follows:

- for contracts measured under the GMM, coverage units are determined based on the quantity of benefits provided on a discounted basis using the IFRS17 group locked-in rate which incorporates the insurance coverage provided and investment-return services, if any.

## **j) Insurance service expense**

Insurance service expenses include the following:

- incurred claims and benefits excluding investment components repaid;
- other incurred directly attributable insurance service expenses;
- amortization of insurance acquisition cash flows;
- changes that relate to past service (i.e., changes in the fulfillment cash flows relating to the LIC); and
- changes that relate to future service (i.e., losses/reversals on onerous groups of contracts from changes in the loss components).

Amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above. Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of comprehensive income (loss).

## **k) Onerous Contracts and Loss components**

The Company establishes a loss component of the LRC for onerous groups of insurance contracts. The loss component determines the amounts of fulfillment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfillment cash flows occur, they are allocated between the loss component and the liability for remaining coverage excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each period (or on initial recognition if a group of contracts is initially recognized in the period).

Changes in estimates of cash flows relating to future services and changes in the Company's share of the fair value of any underlying items are allocated solely to the loss component. If

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

## **l) Net income (expenses) from reinsurance contracts held**

The Company presents financial performance of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held; comprising the following amounts:

- recovered claims and benefits excluding investment components;
- other recovered directly attributable insurance service expenses;
- changes that relate to past service (i.e., changes in the fulfillment cash flows relating to the LIC); and
- changes that relate to reversal of recoveries of losses from reinsurance contracts held.

The allocation of reinsurance premiums paid is recognized similarly to insurance revenue. The allocation of reinsurance premiums paid in the reporting period depicts the transfer of received services at an amount that reflects the portion of the ceding premiums the Company expects to pay in exchange for those services.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

## **m) Segregated funds**

The value of segregated fund contracts is directly linked to the fair value of the underlying investments supporting these contracts. The unit holder bears the risks and rewards of the performance of these investments.

The Company presents segregated fund net assets and unit linked related net assets, which are in the legal name and title of the Company but are held on behalf of unit holders, as a single line item in the consolidated statement of financial position.

Market value movement in the underlying segregated fund net assets along with any investment income earned and expenses incurred are directly attributed to unit holders.

The Company does not present these amounts as revenue on the consolidated statement of comprehensive income (loss); however, they are disclosed in note 4.

Deposits to and withdrawals from segregated funds increase or decrease the liability, respectively. Since segregated funds qualify as insurance contracts, the Company recognizes revenue in accordance with the principles of IFRS17.

Investment income and changes in the fair value of the segregated fund investments relate to a corresponding change in the segregated fund liabilities.

### Net investments for account of segregated fund unit holders

These investments are carried at fair value. Fair value is determined using quoted market values unless quoted market values are not available, in which case, estimated fair values are determined by the Company, based on dealer quotes or recent transactions of similar investments.

### Insurance contract liabilities for segregated funds

These liabilities are measured at fair value reflecting the fair value of the underlying net assets as this eliminates a measurement inconsistency (i.e., accounting mismatch) that would otherwise arise from measuring the supporting assets on a different basis. All gains and losses including changes in own credit risk are also recorded in the consolidated statement of comprehensive income (loss). Certain segregated fund products provide death

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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and maturity benefit guarantees to the unit holder. The liability for these guarantees is recorded under insurance contract liabilities in accordance with IFRS17.

## **n) Participating policyholders**

The amount recognized for participating policyholders' equity represents the amount belonging to policyholders relating to their ownership interest. The amounts relating to the contractual participation rights are recognized in insurance contract liabilities.

## **1.8 Other liabilities**

Other Liabilities primarily consist of accounts payable and accrued liabilities, payroll and other liabilities.

## **1.9 Income taxes**

The tax expense for the year comprises current and deferred taxes. Tax is usually recognized as an expense or income in the consolidated statement of comprehensive income (loss), except when it relates to an item included in OCI or directly in equity, in which case, tax is recognized in OCI or equity, respectively.

The current tax expense (recovery) is based on taxable income (loss) for the year under local tax regulations and the enacted or substantively enacted tax rate for the year for each taxable entity and any adjustment to tax payable in respect of previous years.

Deferred income taxes are accounted for using the liability method, whereby tax expected to be payable or recoverable is calculated on temporary differences arising between the carrying amounts of assets and liabilities under IFRS and the tax assets and liabilities calculated under the regulations of the relevant tax authority. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Temporary differences, tax losses and tax loss carryforwards are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these tax assets can be utilized.

The carrying amount of recognized deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset if a legally enforceable right to offset current income tax assets and liabilities exists, and deferred income taxes relate to the same legal entity and the same taxation authority.

## **1.10 Employee benefits**

The Company accrues obligations for certain retirement and other post-employment benefit plans and the related costs.

The Company's net obligation in respect of defined benefit pension plans and post retirement benefits is calculated separately for each plan. The cost of pension and post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and the obligations are determined annually by



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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independent actuaries, using the projected benefit method and management's best estimates of salary projections, retirement ages of employees and other variables, except for the discount rate which is based on market rates.

These plans are not pre-funded. Benefit costs are charged to operating expenses and all actuarial gains and losses are recorded immediately in OCI and on the consolidated statement of changes in equity.

## 1.11 Revenue recognition

Refer to Note 1.7 for insurance revenue and Note 1.4 for Net Investment Income.

## 1.12 Contingent liabilities

Contingent liabilities are recognized as liabilities on the consolidated statement of financial position when it is probable that the Company will incur a future expense and the amount can be reliably measured. If the event resulting in a future obligation is less than probable but greater than remote or, the amount cannot be reliably estimated, the contingency is disclosed in the notes to the consolidated financial statements.

## 2. ACCOUNTING AND REPORTING CHANGES

### 2.1 New and Amended International Financial Reporting Standards Adopted in 2024

In September 2022, the IASB issued amendments to IFRS 16 to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The adoption of this amendment, effective January 1, 2024, did not have a material impact on our consolidated financial statements.

### 2.2 New and Amended International Financial Reporting Standards to be Adopted in 2025 or Later

#### a) IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements on presentation within the statement of comprehensive income, disclosure of management-defined performance measures, and enhanced principles for aggregation and disaggregation of financial information in the financial statements and the notes. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 is to be applied retrospectively.

The Company is currently assessing the impact the adoption of these amendments will have on its consolidated financial statements.

#### b) Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments clarify the timing of derecognition of financial liabilities and introduces an accounting policy option to derecognize a financial liability settled through electronic transfer before the settlement date if specific criteria are met. The amendments additionally clarify the classification of financial assets with environmental, social, and corporate governance, and also require additional disclosures for

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

certain financial instruments. The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. The amendments are to be applied retrospectively.

The Company is currently assessing the impact the adoption of these amendments will have on its consolidated financial statements.

## 3. FINANCIAL INSTRUMENTS

### a) Classification

The carrying values and fair values of financial assets and financial liabilities were as follows:

	FVTPL		Amortized cost	Total carrying value	Total fair value
	Mandatory	Designated			
<b>December 31, 2024</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	47,768	—	—	47,768	47,768
Short-term securities	32,156	—	—	32,156	32,156
Bonds	—	593,770	—	593,770	593,770
Equities	71,045	—	—	71,045	71,045
Other invested assets	44,917	—	—	44,917	44,917
<b>Total financial assets</b>	<b>195,886</b>	<b>593,770</b>	<b>—</b>	<b>789,656</b>	<b>789,656</b>
Other liabilities	—	—	176	176	176
Investment contract liabilities	—	—	5,418	5,418	5,418
<b>Total financial liabilities</b>	<b>—</b>	<b>—</b>	<b>5,594</b>	<b>5,594</b>	<b>5,594</b>
<b>December 31, 2023</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	71,013	—	—	71,013	71,013
Short-term securities	5,512	—	—	5,512	5,512
Bonds	—	600,016	—	600,016	600,016
Equities	65,006	—	—	65,006	65,006
Other invested assets	62,536	—	—	62,536	62,536
<b>Total financial assets</b>	<b>204,067</b>	<b>600,016</b>	<b>—</b>	<b>804,083</b>	<b>804,083</b>
Other liabilities	—	—	13,457	13,457	13,457
Investment contract liabilities	—	—	5,507	5,507	5,507
<b>Total financial liabilities</b>	<b>—</b>	<b>—</b>	<b>18,964</b>	<b>18,964</b>	<b>18,964</b>

The following table sets out the carrying amounts of financial assets and derivatives expected to be recovered or settled more than 12 months after the reporting date.

	2024	2023
<b>Financial assets</b>		
Measured at fair value	\$ 542,155	\$ 502,844



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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## **b) Fair value hierarchy**

The Company follows a fair value hierarchy to categorize the inputs to the valuation techniques used to measure the fair value of financial assets. The three levels of the hierarchy are:

### Level 1

Fair value is based on quoted market prices in active markets for identical assets or liabilities.

### Level 2

Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar, but not identical, assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable, such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment spreads, credit risks, and default rates.

### Level 3

Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 financial instruments are initially fair valued at their transaction price. After initial measurement, the fair value of Level 3 assets and liabilities is determined using valuation models, discounted cash flow methodologies, or similar techniques.

Limited Partnerships are valued based on the net asset value of the investment where the Company is a limited partner.

For certain financial assets which are of a short-term nature, the carrying value approximates fair value, and therefore no separate fair value is disclosed. The most significant category for fair value measurement is invested assets and the hierarchy level is based upon the following guidelines:

### Bonds including short-term securities

Government bonds and treasury bills (classified as short-term securities) are valued using prices received from external pricing providers (such as dealers, brokers, industry groups, pricing services or regulatory agencies) who generally base the price on quotes received from a number of market participants.

Level 1 corporate bonds listed or quoted in an established over-the-counter market are valued using prices received from external pricing providers who generally consolidate quotes received from a panel of investment dealers into a composite price. As the market becomes less active, the quotes provided by some investment dealers may be based on modeled prices rather than on actual transactions. These sources are based largely on observable market data and, therefore these instruments are treated as Level 2 within the fair value hierarchy. When prices received from external pricing providers are based on a single broker indicative quote, the instruments are treated as Level 3.

Other corporate bonds and non-government-based short-term securities such as unquoted bonds, commercial paper ("CP") and certificates of deposit ("CDs") are valued using models. For CP and CDs, the model inputs, such as LIBOR yield curves, foreign exchange rates, volatilities and counterparty spreads comprise observable market data. For unquoted bonds, the model includes credit spreads which are obtained from brokers or estimated internally. The classification of these instruments within the fair value hierarchy will be either Level 2 or Level 3, depending upon the nature of the underlying pricing information used for valuation purposes.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## Equity securities

Listed securities are treated as Level 1 within the fair value hierarchy and are valued using prices sourced from the primary exchange or dealer, broker, industry group, pricing service or regulatory agency. The quoted market price is the current closing price.

Unlisted securities are treated as Level 2 within the fair value hierarchy and a valuation technique is used for these instruments with the inputs coming from observable market data.

The following tables present the invested assets measured at fair value and classified by the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
	\$	\$	\$	\$
<b>December 31, 2024</b>				
Bonds				
Government	—	288,096	—	288,096
Corporate	—	305,674	—	305,674
Equities	60,395	10,650	—	71,045
Other invested assets	—	44,338	579	44,917
Net investments for account of segregated fund unit holders	11,838	1,810	—	13,648
<b>Total</b>	<b>72,233</b>	<b>650,568</b>	<b>579</b>	<b>723,380</b>
<b>December 31, 2023</b>				
Bonds				
Government	—	297,436	—	297,436
Corporate	—	302,580	—	302,580
Equities	54,192	10,814	—	65,006
Other invested assets	—	27,563	34,973	62,536
Net investments for account of segregated fund unit holders	10,918	2,255	—	13,173
<b>Total</b>	<b>65,110</b>	<b>640,648</b>	<b>34,973</b>	<b>740,731</b>

The following table represents the movement in Level 3 invested assets:

	FVTPL	
	Other invested assets	
	2024	2023
	\$	\$
<b>Balance, beginning of year</b>	34,973	25,996
Reclassification from AFS	—	24,364
Changes during the year:		
Sales and redemptions	—	(15,000)
Net change in unrealized gains/losses	245	(387)
Transfers out of Level 3	(34,639)	—
<b>Balance, end of year</b>	<b>579</b>	<b>34,973</b>

There were no material transfers between Level 1 and 2 during 2024 or 2023. Transfers from Level 3 to Level 2 of \$34,639 occurred during the year ended December 31, 2024 (2023: \$nil). Transfers out of Level 3 are the results of unobservable assumptions not being considered to be significant to the assets valuation at the reporting date, thus satisfying the criteria for Level 2.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## The effects of unobservable inputs on fair value measurement

The fair market value of level 3 assets includes investments that are impacted by market sensitivities. Assumptions used to assess the market sensitivity of these assets include interest rates and real estate capitalization rates. The following table shows the impact of this analysis on the fair value of the Level 3 assets. The analysis was based on a 1% increase and a 1% decrease in the related sensitivity.

The following table shows the impact of this analysis on the fair value of the related underlying funds at December 31:

	<b>2024</b>		<b>2023</b>	
	1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$
<b>FVTPL assets:</b>				
Interest rate	(13)	13	(19)	19
Real estate capitalization rates	—	—	(1,930)	3,009
Global infrastructure index sensitivity	—	—	(914)	914

## **c) Other invested assets**

### Limited partnerships

The Company has investments in limited partnerships which invest in real estate assets, private debt instruments, and equity infrastructure projects. The Company does not have the ability to exercise significant influence over these limited partnerships. The investments support certain insurance contract liabilities and surplus. The assets are classified as FVTPL and are carried at fair value. The fair value of these investments as at December 31, 2024 was \$44,917 (2023: \$59,654).

## **d) Impairments**

There were no investments that were impaired and therefore required an impairment loss provision in 2024 or 2023. During 2024, the Company did not reverse any impairment losses previously taken that were sold during the year (2023: \$nil).

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## e) Net financial result

## i) Investment return and insurance finance expenses

	2024 \$	2023 \$
<b>Investment return</b>		
Net investment income (loss) excluding result of segregated funds	54,983	59,383
Net investment income (loss) related to segregated funds net assets	2,360	1,166
Financial changes related to segregated funds net liability	(2,360)	(1,166)
<b>Total investment return</b>	<b>54,983</b>	<b>59,383</b>
<b>Net finance expenses from insurance contracts</b>		
Interest accreted	(57,546)	(29,203)
Effect of changes in interest rates and other financial assumptions	32,003	(79,242)
<b>Total net finance expenses from insurance contracts</b>	<b>(25,543)</b>	<b>(108,445)</b>
<b>Net finance income from reinsurance contracts held</b>		
Interest accreted	35,075	17,201
Effect of changes in interest rates and other financial assumptions	(27,116)	56,081
<b>Total net finance income from reinsurance contracts</b>	<b>7,959</b>	<b>73,282</b>
<b>Movement in investment contract liabilities</b>	<b>(69)</b>	<b>(69)</b>
<b>Net financial result</b>	<b>37,330</b>	<b>24,151</b>

## ii) Investment income by class of invested asset

The following components of investment income are included in net investment income (loss) on the consolidated statement of comprehensive income (loss):

Interest and dividends (net) derived from the following sources:

	2024			2023		
	FVTPL \$	Other \$	Total \$	FVTPL \$	Other \$	Total \$
Interest income from:						
Cash, cash equivalents and short-term securities	3,404	—	3,404	2,078	—	2,078
Bonds	22,026	—	22,026	22,077	—	22,077
Loans to certificate holders	—	755	755	—	766	766
	25,430	755	26,185	24,155	766	24,921
Dividend income from:						
Equities	3,431	—	3,431	3,569	—	3,569
Other invested assets	3,622	—	3,622	3,375	—	3,375
Less: Investment expenses	(938)	—	(938)	(1,149)	—	(1,149)
<b>Net interest and dividends</b>	<b>31,545</b>	<b>755</b>	<b>32,300</b>	<b>29,950</b>	<b>766</b>	<b>30,716</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

The following table shows the net realized gains (losses) on invested assets during the year:

	2024	2023
	\$	\$
Bonds	3,093	(40,662)
Equities	1,377	(214)
Other invested assets	163	2,842
<b>Net realized gains (losses)</b>	<b>4,633</b>	<b>(38,034)</b>

The following table shows the net change in unrealized gains (losses) on FVTPL investments recorded in net investment income for the year ended December 31:

	2024	2023
	\$	\$
Bonds	7,131	66,926
Equities	10,457	1,786
Other invested assets	462	(2,011)
<b>Net change in unrealized gains (losses) on FVTPL investments</b>	<b>18,050</b>	<b>66,701</b>

## 4. INVESTMENTS FOR ACCOUNT OF SEGREGATED FUND UNIT HOLDERS

### a) Segregated fund net assets

The following table shows the breakdown of segregated fund assets by category of asset and by the fair value hierarchy:

	2024			2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash	218	—	218	249	—	249
Equities	10,472	—	10,472	9,646	—	9,646
Mutual fund units	1,148	5,324	6,472	1,023	5,192	6,215
Other assets net of liabilities	(214)	—	(214)	(55)	—	(55)
Total net assets	11,624	5,324	16,948	10,863	5,192	16,055
Less: Segregated fund seed money investment	(3,300)	—	(3,300)	(2,882)	—	(2,882)
<b>Net investments for account of segregated fund unit holders</b>	<b>8,324</b>	<b>5,324</b>	<b>13,648</b>	<b>7,981</b>	<b>5,192</b>	<b>13,173</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## b) Changes in segregated funds

The following table presents the change in investments for accounts of segregated fund unit holders:

	2024 \$	2023 \$
<b>Balance, beginning of year</b>	13,173	13,032
<b>Additions to the account of the unit holders:</b>		
Deposits received from unit holders	283	175
Investment income	406	398
Net realized gains on sale of investments	1,452	844
Net change in unrealized gains on investments	986	393
	3,127	1,810
<b>Deductions to the account of the unit holders:</b>		
Amounts withdrawn or transferred by unit holders	1,750	1,005
Management fees and other operating costs	484	469
	2,234	1,474
Less: Gain on segregated fund seed money investment	(418)	(195)
<b>Balance, end of year</b>	<b>13,648</b>	<b>13,173</b>

The above change in investments held was offset by an equal change in financial changes related to net investments for accounts of segregated fund unit holders.

## c) Investment risks associated with segregated funds

Segregated fund net assets may be exposed to a variety of financial and other risks. These risks are primarily mitigated by investment guidelines that are actively monitored by professional and experienced portfolio managers. Additionally risk mitigation occurs through an equal offset of insurance contracts to investment contract liabilities for a nil impact for net income. Investment returns on these products belong to the policyholders; accordingly, the Company does not bear the risk associated with these assets outside of guarantees offered on certain variable annuity products. For information regarding the risks associated with the annuity and segregated funds guarantees see note 8.

## d) Risks associated with the Company's interests in segregated funds

The Company is not obligated either contractually or on a constructive basis to provide financial support other than for the segregated funds where the Company ultimately provides support for the guarantee that investors will not receive at maturity an amount less than 75% of the capital invested. The Company has not yet been required or does not currently expect to provide any support under this guarantee.

## 5. PROPERTY AND EQUIPMENT

### Computer equipment

The following table shows changes in the equipment balance during the year:

	2024 \$	2023 \$
<b>Net carrying value, beginning of year</b>	79	466
Additions	—	27
Depreciation expense	(29)	(414)
<b>Net carrying value, end of year</b>	<b>50</b>	<b>79</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## 6. EMPLOYEE BENEFIT PLAN

The Company has a post-retirement health benefit plan. Actuarial valuations of the post-retirement benefits are performed periodically for accounting purposes. These valuations are based on a market-related discount rate and management's best estimate assumptions.

The Company measures its accrued benefit obligation as at December 31 of each year.

The post-retirement benefits provided to former employees are unfunded. The discount rates used to value the liabilities are based on long-term bond yields as of the measurement date, which are consistent with the duration of the plan's liabilities.

The discount rate used to value the post-retirement benefits is 4.6% (2023: 4.6%).

Accrued post-retirement benefits obligations are \$244 (2023: \$262). Benefit costs included in general expenses were \$11 (2023: \$13). Actuarial gains (losses) recorded through OCI net of taxes were \$7 (2023: \$(1)).

## 7. INTANGIBLE ASSETS

### Reconciliation of carrying amount

	Finite useful life - Software	
	2024	2023
	\$	\$
<b>Net carrying value, beginning of year</b>	9,160	7,474
Additions - internally developed	564	3,750
Amortization	(2,266)	(2,064)
<b>Net carrying value, end of year</b>	<b>7,458</b>	<b>9,160</b>

## 8. RISK MANAGEMENT

The Company offers insurance products and services, which subject the organization to a broad range of financial risks. The Company has specific policies and a Risk Appetite Framework in place to manage these risks and are approved by the Board periodically as appropriate. Other policies, such as Investment Policy and Product Management Policy are indirectly part of the risk management framework. The Company's goal in managing financial risk is to ensure that the outcomes of activities involving elements of risk are consistent with its objectives and risk appetite, and to maintain an appropriate risk/reward balance while protecting the Company's balance sheet and capital position from events that have the potential to impair its financial strength and fulfilling the liability obligation to contract holders.

The Company's Risk Management Policy sets out the policy and control framework for the identification, measurement, treatment, monitoring, and reporting of risks. The Company manages risk-taking activities against an overall risk appetite, which defines the amount and type of risks it is willing to assume. The risk appetite reflects the Company's financial condition, risk tolerance and business strategies. Financial risk appetite measures are defined in relation to capital requirements, liquidity, credit and other measures. Separate

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

risk appetite measures are set for the Company, such as market risk, as deemed appropriate through the annual Financial Condition Testing and Own Risk and Solvency Assessment.

The key financial risks related to financial instruments are credit risk, market risk (interest rate risk and equity market risk), insurance risk and liquidity risk. The following sections describe how the Company manages each of these risks.

## a) Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to fulfill its payment obligations. Worsening or continued poor economic conditions could result in borrower or counterparty defaults or downgrades and could lead to increased provisions or impairments related to the Company's general fund invested assets and an increase in provisions for future credit impairments which are included in insurance contract liabilities.

The Board-approved Investment Policy sets out the policies and procedures to manage credit risk. Specific guidelines have been established to minimize undue concentration of assets in any single geographic area, industry and company, to limit the purchase of fixed income securities to investment-grade assets, and to specify minimum and/or maximum limits for fixed income securities by credit quality ratings.

Asset portfolios are monitored continuously and reviewed regularly with the Risk and Investment Committee of the Board.

Credit risk also arises from reinsurance activities. The inability or unwillingness of reinsurance counterparties to fulfill their contractual obligations related to the liabilities ceded to them could lead to credit losses on reinsurance contracts held. The Reinsurance Risk Management Policy sets out the minimum risk rating criteria that all reinsurance counterparties are required to meet. Reinsurance is placed with counterparties that have an AM Best financial strength rating of A- (excellent) or better and concentration of credit risk is managed by following guidelines approved each year by the Board of Directors. Management regularly monitors the creditworthiness of reinsurers to ensure compliance with guidelines.

## i) Maximum exposure to credit risk

The Company's maximum exposure to credit risk related to financial instruments and other assets is the carrying value of those assets, net of any allowances for losses.

The Company's maximum credit exposure was as follows:

	2024	2023
	\$	\$
Short-term securities	32,156	5,512
Bonds	593,770	600,016
Other invested assets	44,917	62,536
Accrued investment income	4,721	4,461
Reinsurance contract held assets	904,544	705,555
Accounts receivable and other assets	737	2,435
<b>Maximum exposure to credit risk</b>	<b>1,580,845</b>	<b>1,380,515</b>



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## ii) Concentration of credit risk

Concentration of credit risk arises from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries.

The Company establishes enterprise-wide investment portfolio level targets and limits to ensure that portfolios are widely diversified across asset classes and individual investment risks.

### Bonds and other fixed-term securities

Investment concentration in any one investee or its related group of companies, except for securities issued by or guaranteed by the U.S., Canadian and certain foreign governments and government agencies, is limited to 5.0% of the bond portfolio. These limits apply to AAA-rated bonds and other fixed-term securities, and are further constrained for lower-rated bonds.

The following table provides details of the carrying value of bonds by industry sector:

	2024 FVTPL \$	2023 FVTPL \$
<b>Bonds issued or guaranteed by:</b>		
Canadian federal government	49,114	170,866
Canadian provincial and municipal government	238,982	126,570
<b>Total government bonds</b>	<b>288,096</b>	<b>297,436</b>
<b>Corporate bonds by Industry sector:</b>		
Financials	153,208	158,339
Utilities and energy	84,802	71,273
Industrials	22,643	23,819
Communications	21,830	26,770
Other	14,231	16,205
Consumer staples	2,362	3,449
Consumer	6,598	2,725
<b>Total corporate bonds</b>	<b>305,674</b>	<b>302,580</b>
	<b>593,770</b>	<b>600,016</b>

The credit rating of the bond portfolio was as follows:

	2024		2023	
Bond quality	\$	%	\$	%
Investment grade:				
AAA	65,450	11.0	187,373	31.2
AA	247,857	41.7	128,404	21.4
A	170,908	28.8	175,440	29.2
BBB	107,821	18.2	107,171	17.9
BB and below	1,734	0.3	1,628	0.3
<b>Total bonds</b>	<b>593,770</b>	<b>100.0</b>	<b>600,016</b>	<b>100.0</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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## b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises two types of risk:

- Interest rate risk
- Equity market risk

### i) Interest rate risk

Interest rate risk exists if asset and liability cash flows are not matched and interest rates change, causing a change in the projected asset cash flows or, in some cases, a change in liability cash flows. The Company mitigates its exposure to interest rate risk by utilizing a formal process for managing the matching of assets and liabilities, which involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in that segment.

For products with fixed and highly predictable benefit payments, investments are made in fixed income assets that closely match the product liability cash flows or durations. Protection against interest rate change is achieved as any change in the fair market value of the assets will be offset by a similar change in the fair market value of the liabilities.

For products with less predictable timing of benefit payments, investments may be made in equities or fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments as described below.

The risk associated with the mismatch in portfolio duration, cash flow and asset prepayment exposure are quantified and reviewed regularly.

Under IFRS17, projected cash flows from liabilities are used to determine insurance contract liabilities. Testing is performed under several interest rate scenarios (including increasing and decreasing rates) to make appropriate provision for reinvestment or disinvestment risk.

One method of measuring the interest rate risk is to determine the effect on insurance contract liabilities and surplus of an immediate 1.0% increase or decrease in the level of risk-free interest rates.

For insurance contract liabilities, a 1.0% reduction in interest rates would result in an increase in insurance contract liabilities and underlying financial instruments of approximately \$39,554 (2023: \$38,628) and \$23,986 (2023: \$27,535) respectively, while the effect of a 1.0% increase in interest rates would result in a decrease in insurance contract liabilities and financial instruments of approximately \$31,933 (2023: \$31,074) and \$20,919 (2023: \$23,655) correspondingly.

For Surplus, a 1.0% reduction in interest rates would result in an increase in financial instruments of approximately \$12,312 (2023: \$11,993), while a 1.0% increase in interest rates would decrease financial instruments by approximately \$10,879 (2023: 10,591)

### ii) Equity market risk

Some insurance contract liabilities such as products with long duration are supported in part by equities. There will be immaterial impacts on these liabilities, with related changes in surplus, as equity market values fluctuate. A 10.0% increase in equity markets would be expected to increase insurance contract liabilities and underlying financial instruments by approximately \$28 (2023: \$3) and \$527 (2023: \$643) respectively. A 10.0% decrease in equity markets would be expected to decrease insurance contract liabilities and financial instruments correspondingly by approximately \$28 (2023: \$3) and \$527 (2023: \$643). Financial instruments for surplus would increase by \$0 (2023: \$50) with an 10.0%

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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improvement in equity markets, while a decrease of \$0 (2023: \$50) is expected with a decline of 10.0% in equity markets.

## Equities

Investments in common and preferred stocks are limited to 10% and 15% respectively, of the Company's invested assets. 100% of the Company's equity portfolio is invested in publicly listed corporations.

## **c) Insurance risk**

Insurance risk is the risk of loss due to actual experience differing from the experience assumed when a product was designed and priced with respect to claims, policyholder behavior and expenses.

The Company sells participating and non-participating insurance and financial investment products. The types of products include life, health and annuity. Each product can have a number of contingencies associated with it, including mortality, lapse and expense risk. Assumptions are made based on company and industry past experience, current internal data, external market indices and benchmarks, which reflect current observable market prices and other published information, as outlined in the Experience Study Standards.

These assumptions are used to develop the initial measurement of insurance contract liabilities and form the insurance risk. The setting of these assumptions requires a significant amount of professional judgment and, therefore, actual experience may be materially different from assumed experience which results in the nature of the insurance risk exposure.

To the extent that emerging experience is more favorable than assumed in the measurement of insurance contract liabilities, income will emerge. If emerging experience is less favorable, losses will result. The Company's objective is to ensure that sufficient insurance contract liabilities have been set up to cover these obligations.

Mortality risk - is the risk that death claims are different than assumed in pricing or the most recent valuation of actuarial liabilities, adversely impacting income. This risk includes both mis-estimation in pricing, and adverse experience resulting from any combination of weak underwriting, anti-selection by policyholders or agents, or improper claims adjudication.

Lapse risk - is the risk that withdrawals and lapse rates are different than assumed. Lapses that are higher than assumed are often detrimental to profit especially if they occur prior to recovering costs to issue a certificate. Lapses that are lower than assumed can also reduce profits on policies that have generous interest rate guarantees or on certificates where the increasing cost of insurance benefits exceeds the level contractual charges.

Expense risk - is the risk that maintenance expense levels will be higher than assumed. This can arise from an increase in the unit costs or an increase in expense inflation relating to economic conditions.

The Company manages insurance risk at an enterprise-wide level by establishing Board-approved policies and guidelines for product development and product pricing, which require that all material risks be provided for at the time of product design and pricing of new products. Additionally, experience studies are performed annually, the outcome of which is used to update the valuation of insurance contract liabilities and the pricing of new and existing products.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

The Company also uses reinsurance to transfer risks and limit the amount of loss on any one policy as specified in its Reinsurance Risk Management Policy. In 2021, the Company entered into a coinsurance agreement with its parent company Foresters Financial to reinsure a block of in-force non participating business. Refer to note 12 and note 16 for additional details.

The actuarial assumptions used in the measurement of insurance contract liabilities take insurance risk factors into account, as discussed in note 10. Annually, as part of Financial Condition Testing ("FCT"), the Company measures the effects of large and sustained adverse movements in insurance risk factors on the calculation of insurance contract liabilities and to assess the impact on capital requirements.

## i) Key risks arising from insurance contracts

Product	Key Risks	Risk mitigation
Individual life	Mortality and lapse	Reinsurance, enhanced underwriting effort, risk monitoring through experience studies, surrender charges
Individual health	Morbidity	Reinsurance, risk monitoring through experience studies
Annuity	Longevity	Immaterial risk to Foresters as annuity business has been closed for sales for many years and the inforce volume is small

Term life and non-participating whole life contracts provide policyholders with a fixed lump sum payable on death. Term life contracts provide coverage over a fixed term. Term life premiums may be level or increasing over time (for yearly renewable contracts). Non-participating whole life contracts provide coverage over the lifetime of the policyholder and have a surrender value after an initial period. The premiums for non-participating whole life contracts are level throughout the duration of the contracts. Critical illness contracts are similar to term life but pay out a lump sum if the policyholder is diagnosed with an illness specified in the contract.

Immediate fixed annuity contracts provide policyholders with periodic payments over their lifetime or the lifetime of additional beneficiaries (if this is longer). The amount of each periodic payment is fixed over time. Deferred fixed annuity contracts provide policyholders with a return of principal plus a fixed rate of interest during the accumulation period. The policyholder has the right to surrender the contract during the accumulation period and receive the current account value less any surrender charges or market value adjustments. The fixed rate of interest is guaranteed for an initial period; after the initial period, the rate of interest credited to the policyholder's accounts is set at the discretion of the Company based on prevailing market interest rates subject to a minimum crediting rate.

A key risk for traditional participating contracts is policyholder behavior risk - in particular, the risk that contracts are surrendered or significant cash withdrawals are made before sufficient fees have been collected to cover up-front commissions paid by Foresters Financial. The risk is mitigated by charging penalties on the early surrender of contracts.

Traditional participating contracts provide policyholders with policyholder dividends which are discretionary and not guaranteed. Participating policyholders are allocated 100% of any dividends that are declared.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## ii) Sensitivity analysis

The table below analyzes how profit and equity would have increased (decreased) if changes in insurance risk exposures that were reasonably possible at the reporting date had occurred.

This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	Change in CSM		Change in net income (loss)		Change in surplus	
	Gross	Net	Gross	Net	Gross	Net
	\$	\$	\$	\$	\$	\$
<b>2024</b>						
Mortality rates adversely impacted by 1% increase	(3,277)	(102)	(13,798)	(1,697)	(13,798)	(1,697)
Mortality rates adversely impacted by 1% decrease	(163)	(203)	(2)	(2)	(2)	(2)
Mortality rates favourably impacted by 1% increase	161	202	2	2	2	2
Mortality rates favourably impacted by 1% decrease	4,794	102	12,756	1,696	12,756	1,696
Morbidity rates (1% unfavourable)	—	—	—	—	—	—
Morbidity rates (1% favourable)	—	—	—	—	—	—
Lapse rates (10% favourable)	22,168	1,952	13,288	7,874	13,288	7,874
Lapse rates (10% unfavourable)	(5,247)	(1,169)	(26,000)	(7,675)	(26,000)	(7,675)
Operating expenses (10% favourable)	6,049	2,391	9,199	3,618	9,199	3,618
Operating expenses (10% unfavourable)	(5,842)	(2,378)	(9,373)	(3,635)	(9,373)	(3,635)
	Change in CSM		Change in net income (loss)		Change in surplus	
	Gross	Net	Gross	Net	Gross	Net
	\$	\$	\$	\$	\$	\$
<b>2023</b>						
Mortality rates adversely impacted by 1% increase	(5,138)	(170)	(12,114)	(1,431)	(12,114)	(1,431)
Mortality rates adversely impacted by 1% decrease	(120)	(145)	(2)	(2)	(2)	(2)
Mortality rates favourably impacted by 1% increase	119	143	2	2	2	2
Mortality rates favourably impacted by 1% decrease	5,162	171	12,128	1,428	12,128	1,428
Morbidity rates (1% unfavourable)	—	—	—	—	—	—
Morbidity rates (1% favourable)	—	—	—	—	—	—
Lapse rates (10% favourable)	36,362	6,196	25,981	5,901	25,981	5,901
Lapse rates (10% unfavourable)	(8,392)	98	(54,507)	(9,783)	(54,507)	(9,783)
Operating expenses (10% favourable)	6,214	2,508	9,869	3,207	9,869	3,207
Operating expenses (10% unfavourable)	(6,214)	(2,345)	(9,877)	(3,336)	(9,877)	(3,336)

Changes in underwriting risk exposures mainly affect the CSM, comprehensive income and equity as follows. The effects of profit or loss and surplus are presented net of related income tax.

- CSM:
  - Changes in fulfillment cash flows not relating to any loss components, other than those recognized as insurance finance income or expenses.
- Net income (loss):
  - Changes in fulfillment cash flows relating to loss components and changes in fulfillment cash flows that are recognized as insurance finance income or expenses in income (loss).

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

- Surplus:
  - Changes in fulfillment cash flows that are recognized as insurance finance income or expenses in OCI and the effect on net income (loss).

## d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The Company's liquidity requirements are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields to ensure consistency between policyholder requirements and the yield of assets.

Operating and strategic liquidity levels are managed against established guidelines. The Company ensures adequate liquidity on a day-to-day operational basis by maintaining a specified minimum level of highly liquid assets (defined as all short-term investments issued by major banks and the governments of Canada). Strategic liquidity is measured under a single stress scenario. The Company's target liquidity ratio under the single scenario is 200.0%, a ratio that would more than support the highest claims-paying ratings for the Company, in addition to providing a significant margin above management's expected liquidity requirements. The Company's liquidity ratio is defined as allowable liquid assets, including the available room on a corporate line of credit. The available assets are reduced to reflect securities pledged to support derivatives activities. The available assets are divided by the risk-adjusted liquidity of liabilities to determine the liquidity ratio. The risk-adjusted liquidity of liabilities is calculated by assessing the probability of a policyholder surrendering a policy for cash under the single scenario, adjusted for the ability of the policyholder to surrender under its contractual provisions. Effective with the Q4 2021 liquidity reporting, Foresters has adopted the latest S&P liquidity model for its calculations. The updated model did not result in a material change to Foresters liquidity ratio.

The following chart shows the Company's strategic liquidity ratio:

	2024	2023
Allowable liquid assets	\$ 650,963	\$ 662,323
Risk-adjusted liquidity of liabilities	161,105	164,339
Liquidity ratio	404.06 %	403.02 %

Based on the Company's historical cash flows and current financial performance, management believes that the cash flow from the Company's operating activities will continue to provide sufficient liquidity for the Company to satisfy debt service obligations and to pay other expenses.

## Contractual maturities

The contractual maturities of the Company's significant financial assets and liabilities, insurance contract liabilities, investment contract liabilities and net investments for account of segregated fund unit holders as at December 31.

The following table provides a maturity analysis of the Company's insurance and reinsurance contracts, which reflects the dates on which the cash flows for best estimate liability, not including risk adjustment and CSM, are expected to occur:

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

	Estimates of present value of future cash flows						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	\$	\$	\$	\$	\$	\$	\$
<b>December 31, 2024</b>							
Insurance contract liabilities	(9,126)	(7,568)	913	7,133	13,167	1,434,766	1,439,285
Reinsurance contracts held	17,930	10,365	4,222	(399)	(4,703)	(931,957)	(904,542)
<b>December 31, 2023</b>							
Insurance contract liabilities	(31,327)	(27,281)	(16,517)	(9,029)	(1,516)	1,337,680	1,252,010
Reinsurance contracts held	48,445	39,116	29,541	21,603	14,655	(858,913)	(705,553)

The amounts from insurance contract liabilities that are payable on demand are set out below:

	2024		2023	
	Amount Payable on Demand	Carrying Amount	Amount Payable on Demand	Carrying Amount
	\$	\$	\$	\$
Insurance contracts - excluding segregated fund net assets	658,552	658,552	673,352	673,352
Insurance contracts - segregated fund net assets	13,648	13,648	13,173	13,173

The amounts payable on demand represent the policyholders' account values less applicable surrender fees as at the time of the reporting date.

The following table sets out the remaining contractual maturities of the Company's financial liabilities:

	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total	Carrying amount
	\$	\$	\$	\$	\$	\$	\$	\$
<b>2024</b>								
Investment contract	5,418	—	—	—	—	—	5,418	5,418
Other liabilities	176	—	—	—	—	—	176	176
<b>Total</b>	<b>5,594</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,594</b>	<b>5,594</b>
<b>2023</b>								
Investment contract	5,507	—	—	—	—	—	5,507	5,507
Other liabilities	13,457	—	—	—	—	—	13,457	13,457
<b>Total</b>	<b>18,964</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>18,964</b>	<b>18,964</b>

The amounts in the tables above have been compiled as follows:

The amounts are the gross contractual undiscounted cash flows, which include estimated interest payments. The interest on floating-rate instruments reflects the market forward interest rates at the reporting date, which may change as market interest rates change.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

Financial liabilities are allocated to the earliest period in which the Company could be required to pay. Investment contract liabilities and third-party interests in consolidated funds are immediately payable on demand, because each holder has an option to surrender the investment contract or to redeem units in the consolidated funds at any time. Accordingly, these amounts have been included in the earliest time band. Most of the underlying assets are either cash and cash equivalents or liquid investments that can be converted into cash at short notice.

For perpetual debt securities, the contractual par amount has been included in the 'more than 5 years' column; interest has been included in the analysis up to 15 years after the reporting date.

## 9. OTHER LIABILITIES

Other liabilities are comprised of the following:

	2024	2023
	\$	\$
Accounts payable and accrued expenses	492	775
Related party payable	(316)	12,682
	<b>176</b>	<b>13,457</b>

The carrying value of these liabilities approximates their fair value. Within 12 months from the reporting date, \$176 (2023: \$13,457) will be realized.

## 10. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

The Company's insurance and reinsurance contracts held as at December 31 were as follows:

	2024	2023
	\$	\$
<b>Insurance contracts issued</b>		
Insurance contract liabilities	1,439,285	1,252,010
Segregated funds liabilities	13,648	13,173
	<b>1,452,933</b>	<b>1,265,183</b>
<b>Reinsurance contracts held</b>		
Reinsurance contract assets	904,544	705,555
Reinsurance contract liabilities	(2)	(2)
	<b>904,542</b>	<b>705,553</b>



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

	2024	2023
	\$	\$
<b>Insurance contracts issued</b>		
<b>Insurance revenue</b>		
Contracts measured under fair value approach at transition	183,154	186,176
Other Contracts	54,021	36,765
	<b>237,175</b>	<b>222,941</b>
<b>CSM</b>		
Contracts measured under fair value approach at transition	97,355	108,265
Other Contracts	6,888	4,188
	<b>104,243</b>	<b>112,453</b>
<b>Reinsurance Contracts Held</b>		
<b>CSM</b>		
Contracts measured under fair value approach at transition	(55,668)	(59,729)
Other Contracts	34,183	32,118
	<b>(21,485)</b>	<b>(27,611)</b>

	2024			2023		
	Insurance Contract Liabilities	Insurance Contract Assets	Seg Fund Net Fund Value	Insurance Contract Liabilities	Insurance Contract Assets	Seg Fund Net Fund Value
	\$	\$	\$	\$	\$	\$
A&H	12,844	—	—	14,967	—	—
Group Annuity	357,617	—	—	380,350	—	—
Other	4,152	—	—	4,107	—	—
Non Participating	1,001,266	—	—	791,159	—	—
Participating	63,406	—	—	61,427	—	—
Seg Fund	—	—	13,648	—	—	13,173
<b>Total</b>	<b>1,439,285</b>	<b>—</b>	<b>13,648</b>	<b>1,252,010</b>	<b>—</b>	<b>13,173</b>

	2024		2023	
	Reinsurance Contract Liabilities	Reinsurance Contract Assets	Reinsurance Contract Liabilities	Reinsurance Contract Assets
	\$	\$	\$	\$
A&H	—	10,793	—	10,267
Group Annuity	—	5,065	—	4,919
Other	(2)	4	(2)	4
Non Participating	—	888,497	—	690,199
Participating	—	185	—	166
<b>Total</b>	<b>(2)</b>	<b>904,544</b>	<b>(2)</b>	<b>705,555</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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## 10.1 Movements in carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each segment changed during the year as a result of cash flows and amounts recognized in the consolidated statement of comprehensive income (loss).

The Company presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of comprehensive income (loss).

A second reconciliation separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM.

The estimates of the present value of the future cash flows from insurance and reinsurance contract assets represent the Company's expected exposure to insurance risk from these assets.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## a) Direct insurance

### i) Analysis by remaining coverage and incurred claims - Non segregated funds

	2024				2023			
	Liabilities for remaining coverage		Liabilities for remaining coverage		Liabilities for remaining coverage		Liabilities for remaining coverage	
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
<b>Beginning of Period</b>								
Opening balance insurance contract liabilities	999,119	156,721	96,170	1,252,010	930,785	99,322	93,604	1,123,711
<b>Net opening insurance contract balances</b>	999,119	156,721	96,170	1,252,010	930,785	99,322	93,604	1,123,711
<b>Changes in the consolidated statement of comprehensive income (loss) and OCI</b>								
Contracts under the fair value transition approach	(183,153)	—	—	(183,153)	(186,176)	—	—	(186,176)
Other contracts	(54,022)	—	—	(54,022)	(36,765)	—	—	(36,765)
<b>Insurance revenue</b>	(237,175)	—	—	(237,175)	(222,941)	—	—	(222,941)
Incurred claims and other insurance service expenses	—	(7,566)	181,101	173,535	—	(4,315)	177,983	173,668
Amortization of insurance acquisition cash flows	25,021	—	—	25,021	18,614	—	—	18,614
Losses and reversal of losses on onerous contracts	—	199,409	—	199,409	—	60,720	—	60,720
Adjustments to liabilities for incurred claims	—	—	(588)	(588)	—	—	(610)	(610)
<b>Insurance service expenses</b>	25,021	191,843	180,513	397,377	18,614	56,405	177,373	252,392
Investment components	(44,645)	—	44,645	—	(50,753)	—	50,753	—
<b>Insurance service result</b>	(256,799)	191,843	225,158	160,202	(255,080)	56,405	228,126	29,451
Net finance (income) expenses from insurance contracts	21,363	4,095	85	25,543	107,323	994	128	108,445
<b>Total changes in the consolidated statement of comprehensive income (loss) and OCI</b>	(235,436)	195,938	225,243	185,745	(147,757)	57,399	228,254	137,896
<b>Cash flows</b>								
Premiums received	286,879	—	—	286,879	287,207	—	—	287,207
Claims, benefits and other expenses paid	—	—	(223,842)	(223,842)	—	—	(225,688)	(225,688)
Insurance acquisition cash flows	(61,507)	—	—	(61,507)	(71,116)	—	—	(71,116)
<b>Total cash flows</b>	225,372	—	(223,842)	1,530	216,091	—	(225,688)	(9,597)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—
<b>Net ending insurance contract balances</b>	989,055	352,659	97,571	1,439,285	999,119	156,721	96,170	1,252,010
<b>End of Period</b>								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	989,055	352,659	97,571	1,439,285	999,119	156,721	96,170	1,252,010
<b>Net ending insurance contract balances</b>	989,055	352,659	97,571	1,439,285	999,119	156,721	96,170	1,252,010

## Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

### ii. Analysis by remaining coverage and incurred claims - Segregated funds

	2024				2023			
	Liabilities for remaining coverage		Liabilities for remaining coverage		Liabilities for remaining coverage		Liabilities for remaining coverage	
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
<b>Beginning of Period</b>								
Opening balance insurance contract assets	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities - Segregated funds guarantees	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities - Segregated funds net liabilities	13,173	—	—	13,173	13,032	—	—	13,032
<b>Net opening insurance contract balances</b>	<b>13,173</b>	<b>—</b>	<b>—</b>	<b>13,173</b>	<b>13,032</b>	<b>—</b>	<b>—</b>	<b>13,032</b>
<b>Changes in the consolidated statement of comprehensive income (loss) and OCI</b>								
Contracts under the fair value transition approach	—	—	—	—	—	—	—	—
Other contracts	—	—	—	—	—	—	—	—
<b>Insurance revenue</b>								
Incurred claims and other insurance service expenses	—	—	—	—	—	—	—	—
Amortization of insurance acquisition cash flows	—	—	—	—	—	—	—	—
Losses and reversal of losses on onerous contracts	—	—	—	—	—	—	—	—
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—
<b>Insurance service expenses</b>								
Investment components	—	—	—	—	—	—	—	—
<b>Insurance service result</b>								
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	—	—	—	—	—
<b>Total changes in the consolidated statement of comprehensive income (loss) and OCI</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash flows</b>								
Premiums received	—	—	—	—	—	—	—	—
Claims, benefits and other expenses paid	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—
<b>Total cash flows</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Other changes in the net carrying amount of the insurance contract liabilities	475	—	—	475	141	—	—	141
<b>Ending insurance contract liabilities balances</b>	<b>13,648</b>	<b>—</b>	<b>—</b>	<b>13,648</b>	<b>13,173</b>	<b>—</b>	<b>—</b>	<b>13,173</b>
<b>End of Period</b>								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds guarantees	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds net liabilities	13,648	—	—	13,648	13,173	—	—	13,173
<b>Ending insurance contract liabilities balances</b>	<b>13,648</b>	<b>—</b>	<b>—</b>	<b>13,648</b>	<b>13,173</b>	<b>—</b>	<b>—</b>	<b>13,173</b>

## Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

### iii. Analysis by measurement component - Non segregated funds

	2024				2023			
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	Total		Estimates of present value of future cashflows	Risk adjustment for non-financial risk	Total	
			Contracts under FV approach	Other contracts			Contracts under FV approach	Other contracts
<b>Beginning of Period</b>								
Opening balance insurance contract assets	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities	731,739	407,818	108,265	4,188	1,252,010	389,662	120,670	5,018
<b>Net opening insurance contract balances</b>	<b>731,739</b>	<b>407,818</b>	<b>108,265</b>	<b>4,188</b>	<b>1,252,010</b>	<b>389,662</b>	<b>120,670</b>	<b>5,018</b>
<b>Changes in the consolidated statement of comprehensive income (loss) and OCI</b>								
CSM recognized for services provided	—	—	(9,864)	(579)	(10,443)	—	(11,604)	(352)
Change in the risk adjustment for non-financial risk for risk expired	—	(29,708)	—	—	(29,708)	—	—	—
Experience adjustments and other changes	1,530	2	—	—	1,532	10,969	—	—
<b>Current service provided in the period</b>	<b>1,530</b>	<b>(29,706)</b>	<b>(9,864)</b>	<b>(579)</b>	<b>(38,619)</b>	<b>10,969</b>	<b>(11,604)</b>	<b>(352)</b>
Contracts initially recognized in the year	(14,677)	23,776	—	2,602	11,701	(15,411)	—	3,686
Changes in estimates that adjust the CSM	9,785	(6,654)	(3,597)	467	1	15,290	(7,348)	(4,423)
Changes in estimates that results in losses and reversals of losses on onerous contracts	215,095	(27,387)	—	—	187,708	59,726	—	—
<b>Future service yet to be provided</b>	<b>210,203</b>	<b>(10,265)</b>	<b>(3,597)</b>	<b>3,069</b>	<b>199,410</b>	<b>59,605</b>	<b>(3,519)</b>	<b>(737)</b>
Adjustments to liabilities for incurred claims	(290)	4	—	—	(286)	(189)	—	—
Experience adjustments not related to incurred claims	(280)	(23)	—	—	(303)	(378)	—	—
<b>Past service provided in the prior periods</b>	<b>(570)</b>	<b>(19)</b>	<b>—</b>	<b>—</b>	<b>(589)</b>	<b>(567)</b>	<b>—</b>	<b>(610)</b>
<b>Insurance service result</b>	<b>211,163</b>	<b>(39,990)</b>	<b>(13,461)</b>	<b>2,490</b>	<b>160,202</b>	<b>70,007</b>	<b>(15,123)</b>	<b>(1,089)</b>
Net finance (income) expenses from insurance contracts	2,662	20,120	2,551	210	25,543	62,968	2,718	259
Effect of movements in exchange rates	—	—	—	—	—	—	—	—
<b>Total changes in the consolidated statement of comprehensive income (loss) and OCI</b>	<b>213,825</b>	<b>(19,870)</b>	<b>(10,910)</b>	<b>2,700</b>	<b>185,745</b>	<b>132,975</b>	<b>(12,405)</b>	<b>(830)</b>
<b>Cash flows</b>								
Premiums received	286,879	—	—	—	286,879	287,207	—	—
Claims, benefits and other expenses paid	(223,842)	—	—	—	(223,842)	(225,688)	—	—
Insurance acquisition cash flows	(61,507)	—	—	—	(61,507)	(71,116)	—	—
<b>Total cash flows</b>	<b>1,530</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,530</b>	<b>(9,597)</b>	<b>—</b>	<b>(9,597)</b>
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—
<b>Net ending insurance contract balances</b>	<b>947,094</b>	<b>387,948</b>	<b>97,355</b>	<b>6,888</b>	<b>1,439,285</b>	<b>731,739</b>	<b>108,265</b>	<b>4,188</b>
<b>End of Period</b>								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	947,094	387,948	97,355	6,888	1,439,285	731,739	108,265	4,188
<b>Net ending insurance contract balances</b>	<b>947,094</b>	<b>387,948</b>	<b>97,355</b>	<b>6,888</b>	<b>1,439,285</b>	<b>731,739</b>	<b>108,265</b>	<b>4,188</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## iiii. Analysis by measurement component - Segregated funds

	2024					2023				
	Estimates of present value of future cashflows	Risk adjustment for non-financial	Total		Estimates of present value of future cashflows	Risk adjustment for non-financial	Total			
			Contracts under FV approach	Other contracts			Contracts under FV approach	Other contracts		
<b>Beginning of Period</b>										
Opening balance insurance contract liabilities - Segregated funds net liabilities	13,173	—	—	—	13,173	13,032	—	—	—	13,032
<b>Net opening insurance contract balances</b>	13,173	—	—	—	13,173	13,032	—	—	—	13,032
<b>Changes in the consolidated statement of comprehensive income (loss) and OCI</b>										
CSM recognized for services provided	—	—	—	—	—	—	—	—	—	—
Change in the risk adjustment for non-financial risk for risk expired	—	—	—	—	—	—	—	—	—	—
Experience adjustments and other changes	—	—	—	—	—	—	—	—	—	—
<b>Current service provided in the period</b>										
Contracts initially recognized in the year	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	—	—	—	—	—	—	—	—	—	—
Changes in estimates that results in losses and reversals of losses on onerous contracts	—	—	—	—	—	—	—	—	—	—
<b>Future service yet to be provided</b>										
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
<b>Past service provided in the prior periods</b>										
<b>Insurance service result</b>										
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—	—	—
<b>Total changes in the consolidated statement of comprehensive income (loss) and OCI</b>										
<b>Cash flows</b>										
Premiums received	—	—	—	—	—	—	—	—	—	—
Claims, benefits and other expenses paid	—	—	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
<b>Total cash flows</b>	—	—	—	—	—	—	—	—	—	—
Other changes in the net carrying amount of the insurance contract liabilities	475	—	—	—	475	141	—	—	—	141
<b>Ending insurance contract liabilities balances</b>	13,648	—	—	—	13,648	13,173	—	—	—	13,173
<b>End of Period</b>										
Ending balance insurance contract liabilities - Segregated funds guarantees	—	—	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds net liabilities	13,648	—	—	—	13,648	13,173	—	—	—	13,173
<b>Ending insurance contract liabilities balances</b>	13,648	—	—	—	13,648	13,173	—	—	—	13,173

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## b) Reinsurance

### i. Analysis by remaining coverage and incurred claims

	2024				2023			
	Assets for remaining coverage		Assets for remaining coverage		Assets for remaining coverage		Assets for remaining coverage	
	Excluding loss recovery component	Loss recovery component	Assets for incurred claims	Total	Excluding loss recovery component	Loss recovery component	Assets for incurred claims	Total
<b>Beginning of Period</b>								
Opening balance reinsurance contract held assets	596,139	100,024	9,392	705,555	559,698	29,140	20,089	608,927
Opening balance reinsurance contract held liabilities	(2)	—	—	(2)	(73,121)	27,182	(19,431)	(65,370)
<b>Net opening reinsurance contract held balances</b>	<b>596,137</b>	<b>100,024</b>	<b>9,392</b>	<b>705,553</b>	<b>486,577</b>	<b>56,322</b>	<b>658</b>	<b>543,557</b>
<b>Changes in the consolidated statement of comprehensive income (loss) and OCI</b>								
Contracts under the fair value transition approach	(138,184)	—	—	(138,184)	(144,069)	—	—	(144,069)
Other contracts	(3,743)	—	—	(3,743)	(1,429)	—	—	(1,429)
<b>Allocation of reinsurance premiums paid</b>	<b>(141,927)</b>	<b>—</b>	<b>—</b>	<b>(141,927)</b>	<b>(145,498)</b>	<b>—</b>	<b>—</b>	<b>(145,498)</b>
Incurred claims recovered and other reinsurance service expenses	—	(7,142)	123,546	116,404	—	(3,611)	130,915	127,304
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	162,550	—	162,550	—	45,172	—	45,172
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
<b>Amounts recoverable from reinsurers</b>	<b>—</b>	<b>155,408</b>	<b>123,546</b>	<b>278,954</b>	<b>—</b>	<b>41,561</b>	<b>130,915</b>	<b>172,476</b>
Investment components	(8,118)	—	8,118	—	(8,765)	—	8,765	—
<b>Net expenses from reinsurance contracts held</b>	<b>(150,045)</b>	<b>155,408</b>	<b>131,664</b>	<b>137,027</b>	<b>(154,263)</b>	<b>41,561</b>	<b>139,680</b>	<b>26,978</b>
Net finance (income) expenses from reinsurance contracts held	3,257	4,702	—	7,959	71,141	2,141	—	73,282
Effects of movements in exchange rates	—	—	—	—	—	—	—	—
<b>Total changes in the consolidated statement of comprehensive income (loss) and OCI</b>	<b>(146,788)</b>	<b>160,110</b>	<b>131,664</b>	<b>144,986</b>	<b>(83,122)</b>	<b>43,702</b>	<b>139,680</b>	<b>100,260</b>
<b>Cash flows</b>								
Premiums paid	183,494	—	—	183,494	192,682	—	—	192,682
Amounts received	—	—	(129,491)	(129,491)	—	—	(130,946)	(130,946)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
<b>Total cash flows</b>	<b>183,494</b>	<b>—</b>	<b>(129,491)</b>	<b>54,003</b>	<b>192,682</b>	<b>—</b>	<b>(130,946)</b>	<b>61,736</b>
Other changes in the net carrying amount of the reinsurance contract held	—	—	—	—	—	—	—	—
<b>Net ending reinsurance contract held balances</b>	<b>632,843</b>	<b>260,134</b>	<b>11,565</b>	<b>904,542</b>	<b>596,137</b>	<b>100,024</b>	<b>9,392</b>	<b>705,553</b>
<b>End of Period</b>								
Ending balance reinsurance contract held assets	632,845	260,134	11,565	904,544	596,139	100,024	9,392	705,555
Ending balance reinsurance contract held liabilities	(2)	—	—	(2)	(2)	—	—	(2)
<b>Net ending reinsurance contract held balances</b>	<b>632,843</b>	<b>260,134</b>	<b>11,565</b>	<b>904,542</b>	<b>596,137</b>	<b>100,024</b>	<b>9,392</b>	<b>705,553</b>

**Notes to consolidated financial statements**

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

### iii. Analysis by measurement component

	2024					2023				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	Contracts under FV approach		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
<b>Beginning of Period</b>										
Opening balance reinsurance contract held assets	334,589	343,353	59,731	(32,118)	705,555	351,084	223,673	63,269	(29,099)	608,927
Opening balance reinsurance contract held liabilities	—	—	(2)	—	(2)	(181,004)	115,695	(61)	—	(65,370)
<b>Net opening reinsurance contract held balances</b>	334,589	343,353	59,729	(32,118)	705,553	170,080	339,368	63,208	(29,099)	543,557
<b>Changes in the consolidated statement of comprehensive income (loss) and OCI</b>										
CSM recognized for services provided	—	—	(4,141)	3,409	(732)	—	—	(4,906)	2,940	(1,966)
Change in the risk adjustment for non-financial risk for risk expired	—	(22,191)	—	—	(22,191)	—	(22,153)	—	—	(22,153)
Experience adjustments and other changes	(2,602)	2	—	—	(2,600)	5,923	—	—	—	5,923
<b>Current service provided in the period</b>	(2,602)	(22,189)	(4,141)	3,409	(25,523)	5,923	(22,153)	(4,906)	2,940	(18,196)
Contracts initially recognized in the year	2,698	8,214	—	(4,709)	6,203	3,149	12,817	—	(3,723)	12,243
Changes in estimates that adjust the CSM	912	(6,282)	4,771	599	—	5,225	(7,161)	1,726	210	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	181,801	(20,726)	—	—	161,075	51,028	(16,473)	—	—	34,555
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(4,613)	(115)	(4,728)	—	—	(196)	(1,428)	(1,624)
<b>Future service yet to be provided</b>	185,411	(18,794)	158	(4,225)	162,550	59,402	(10,817)	1,530	(4,941)	45,174
Changes to assets for incurred claims	—	—	—	—	—	—	—	—	—	—
<b>Past service provided in the prior periods</b>	—	—	—	—	—	—	—	—	—	—
<b>Net expenses from reinsurance contracts held</b>	182,809	(40,983)	(3,983)	(816)	137,027	65,325	(32,970)	(3,376)	(2,001)	26,978
Net finance (income) expenses from reinsurance contracts held	(7,448)	16,734	(78)	(1,249)	7,959	37,448	36,955	(103)	(1,018)	73,282
<b>Total changes in the consolidated statement of comprehensive income (loss) and OCI</b>	175,361	(24,249)	(4,061)	(2,065)	144,986	102,773	3,985	(3,479)	(3,019)	100,260
<b>Cash flows</b>										
Premiums paid	183,494	—	—	—	183,494	192,682	—	—	—	192,682
Amounts received	(129,491)	—	—	—	(129,491)	(130,946)	—	—	—	(130,946)
<b>Total cash flows</b>	54,003	—	—	—	54,003	61,736	—	—	—	61,736
<b>Net ending reinsurance contract held balances</b>	563,953	319,104	55,668	(34,183)	904,542	334,589	343,353	59,729	(32,118)	705,553
<b>End of Period</b>										
Ending balance reinsurance contract held assets	563,953	319,104	55,670	(34,183)	904,544	334,589	343,353	59,731	(32,118)	705,555
Ending balance reinsurance contract held liabilities	—	—	(2)	—	(2)	—	—	(2)	—	(2)
<b>Net ending reinsurance contract held balances</b>	563,953	319,104	55,668	(34,183)	904,542	334,589	343,353	59,729	(32,118)	705,553



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## c) Insurance Revenue

Insurance Revenue	2024 \$	2023 \$
CSM recognized for services provided	10,442	11,956
Change in risk adjustment for non-financial risk for risk expired	28,404	28,579
Expected insurance service expenses incurred:	172,995	163,788
Claims	148,765	141,352
Expenses	24,230	22,436
Other expenses under the VFA		
Recovery of insurance acquisition cash flows	25,021	18,614
Other Changes	313	4
<b>Total Revenue from Contracts Not Measured Under PAA</b>	<b>237,175</b>	<b>222,941</b>

## 10.2 Effect of contracts initially recognized in the year

The following tables summarize the effect on the measurement components of insurance and reinsurance contracts arising from the contracts that were initially recognized in the year.

### a) Insurance contracts issued

	2024			2023		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
	\$	\$	\$	\$	\$	\$
Insurance acquisition cash flows	11,630	55,414	67,044	11,722	71,087	82,809
Claims and other insurance service expenses payable	23,120	125,599	148,719	22,878	155,586	178,464
Estimates of present value of cash outflows	34,750	181,013	215,763	34,600	226,673	261,273
Estimates of present value of cash inflows	(40,985)	(189,454)	(230,439)	(42,022)	(234,662)	(276,684)
Risk adjustment for non-financial risk	3,634	20,142	23,776	3,736	29,206	32,942
CSM	2,601	—	2,601	3,686	—	3,686
<b>Losses recognized on initial recognition</b>	<b>—</b>	<b>11,701</b>	<b>11,701</b>	<b>—</b>	<b>21,217</b>	<b>21,217</b>

## Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

### b) Reinsurance contracts held

	2024			2023		
	Contracts initiated without Loss recovery Component	Contracts initiated with Loss recovery Component	Total	Contracts initiated without Loss recovery Component	Contracts initiated with Loss recovery Component	Total
	\$	\$	\$	\$	\$	\$
Estimates of present value of cash inflows	(5,735)	(55,929)	(61,664)	(5,908)	(69,088)	(74,996)
Estimates of present value of cash outflows	5,773	53,193	58,966	6,148	65,700	71,848
Risk adjustment for non-financial risk	(788)	(7,426)	(8,214)	(904)	(11,913)	(12,817)
Loss recovery related to losses on underlying insurance contracts at initial recognition	—	6,203	6,203	—	12,242	12,242
<b>Contractual Service Margin</b>	<b>(750)</b>	<b>(3,959)</b>	<b>(4,709)</b>	<b>(664)</b>	<b>(3,059)</b>	<b>(3,723)</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## 10.3 Contractual service margin

The following table sets out when the Company expects to recognize the remaining CSM in profit or loss after the reporting date:

	1 year or less	1 - 2 years	2 - 5 years	5 - 10 years	over 10 years	Total
	\$	\$	\$	\$	\$	\$
<b>2024</b>						
Insurance contracts	9,451	8,518	21,212	24,760	40,303	104,244
	9,451	8,518	21,212	24,760	40,303	104,244
Reinsurance contracts held	(231)	(306)	(1,420)	(3,908)	(15,620)	(21,485)
	(231)	(306)	(1,420)	(3,908)	(15,620)	(21,485)
<b>2023</b>						
Insurance contracts	10,794	9,645	23,882	27,265	40,867	112,453
	10,794	9,645	23,882	27,265	40,867	112,453
Reinsurance contracts held	(1,232)	(1,180)	(3,477)	(5,712)	(16,010)	(27,611)
	(1,232)	(1,180)	(3,477)	(5,712)	(16,010)	(27,611)

### a) Nature and composition of insurance contract liabilities and related reinsurance assets

Insurance contract liabilities include life, health, and annuity lines of business. Insurance contract liabilities have been calculated using principles of IFRS 17. IFRS 17 requires assumptions to be made about future cash flows; thus, there is risk that actual results will vary from those estimates. The risk varies in proportion to the length of the estimation period and the potential volatility of each assumption. To recognize uncertainty in establishing these estimates and to allow for possible deviation in experience, the Appointed Actuary is required to include a risk adjustment for non-financial risk, which has the effect of increasing the insurance contract liabilities. With the passage of time, and resulting reduction in estimation risk, the risk adjustment for non-financial risk will be included in future income to the extent it is not required to cover adverse experience. If estimates of future conditions change throughout the life of a policy, the effect of those changes is recognized in the CSM for profitable contracts and in income immediately for onerous contracts.

The Company limits the amount of loss on any one policy by reinsuring certain levels of risk with third party reinsurers. Maximum limits have been established for the retention of risks associated with life insurance policies by line of business. The Company's gross exposure to insurance contract liabilities is partially offset by reinsurance assets on account of certain risks ceded to reinsurers.

### b) Composition of assets supporting liabilities and surplus

The Company segments its business taking into account the different liability profiles of its products. Based on these profiles, the Company has invested in fixed income securities and equities with characteristics that closely match the characteristics of the related liability.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

The following charts show the details of assets supporting liabilities and surplus by segment:

	Cash and cash equivalents	Short-term securities	Bonds	Stocks	Preferred shares	Other invested assets *	Reinsurance contract held assets	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>December 31, 2024</b>									
Insurance	—	1,340	394,871	10,650	36,475	15,111	904,544	27,335	1,390,326
Surplus	47,768	30,816	198,899	—	23,920	29,806	—	16,109	347,318
	47,768	32,156	593,770	10,650	60,395	44,917	904,544	43,444	1,737,644
<b>December 31, 2023</b>									
Insurance	—	—	425,905	10,814	32,574	23,227	705,555	22,996	1,221,071
Surplus	71,013	5,512	174,111	—	21,618	39,309	—	24,883	336,446
	71,013	5,512	600,016	10,814	54,192	62,536	705,555	47,879	1,557,517

\*Other invested assets include limited partnership investments and segregated fund seed money.

## c) Assumptions

### Fulfillment cash flows

Fulfillment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the probability-weighted expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then Foresters uses stochastic modeling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

### i) Future cash flows

In estimating future cash flows, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfillment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs, and recurring commissions payable on installment premiums receivable within the contract boundary. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows attributable to acquisition and other fulfillment activities are allocated to groups of contracts based on a systematic and rational basis.

## Mortality, longevity and morbidity

Mortality relates to the occurrence of death. Mortality is a key assumption for life insurance and certain forms of annuities. Mortality assumptions are differentiated by factors, such as gender, age, underwriting class, policy type and geographic market. Morbidity relates to the occurrence of accidents and sickness for insured risks. Morbidity is a key assumption for long-term care insurance, disability insurance, critical illness and other forms of health benefits. Morbidity assumptions are established for each type of morbidity risk and geographic market.

Although the pattern of claims and benefit payments may be close to that indicated by past experience, some deviation in that pattern is probable. Periodic country-level studies are performed to examine mortality and morbidity experience where the Company's actual experience is compared to both its expected assumptions and industry expected values to confirm that appropriate assumptions are being made about the projected benefit patterns. Consistent with actuarial standards, projected improvements in mortality experience are reflected where appropriate.

Mortality is one of the key assumptions in the measurement of life insurance products. Tables produced by the Canadian Institute of Actuaries are used to reflect expected mortality improvements, as set out below.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

	Mortality projections model	Mortality table used and assumptions	Percentage Range for Mortality Table	Adjustments for long term mortality improvements
<b>2024</b>				
<b>CPP 4000 &amp; 8000 &amp; 6000 Series</b>				
Acceptance Life, Deferred Life and Deferred Term, Simplified Life, Simplified Term, Simplified Plus Life, Simplified Plus Term	Experience Study	CIA 97-04 ANB	% Ranges from 125% to 270% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates for some underwriting classes
<b>CPP 7000 Series</b>				
Guaranteed Acceptance	Experience Study	CIA 97-04 ANB	% Ranges from 350% to 1000% for all Issue Ages.	N/A
Deferred Life, Deferred Elite Term/Life, Simplified Elite Term/Life, Preferred Life/Term, Preferred Elite Life/Term	Experience Study	CIA 97-04 ANB	% Ranges from 60% to 450% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates for some underwriting classes
<b>CPP 7000 Series Pre Oct 2022</b>				
Guaranteed Acceptance	Experience Study	CIA 97-04 ANB	% Ranges from 350% to 1200% for all Issue Ages.	N/A
Deferred Life, Deferred Elite Term/Life, Simplified Elite Term/Life, Preferred Life/Term, Preferred Elite Life/Term	Experience Study	CIA 97-04 ANB	% Ranges from 125% to 550% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates for some underwriting classes
<b>Other FLIC Products</b>				
NPWL	Experience Study	CIA 97-04 ANB S&U	% Ranges from 64% to 111% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
Par	Experience Study	CIA 97-04 ANB	% Ranges from 83% to 140% for all Issue Ages.	N/A
CPP CI	Experience Study	CIA 97-04 ANB	% Ranges from 79% to 88% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
Pru	Experience Study	CIA 8692 ANB	60% of blended CIA 8692 Ultimate ANB table assuming 30% of male and 70% of female	N/A
Metropolitan Life	Experience Study	CIA 8692 ALB	60% of Aggregate Table	N/A

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

RCT	Experience Study	CIA 97-04 ANB	% Ranges from 73% to 93% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
LPS	Experience Study	CIA 97-04 ANB	% Ranges from 73% to 93% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
FTL	Experience Study	CIA 97-04 ALB	140%	N/A
CPSA	Experience Study	CIA 8692 ALB	Life: 55% of CIA 8692 Male Ult ALB	
AD rider: 100% of 1990-92 ADB Male	N/A			
NP Other	Experience Study	CIA 97-04 ANB	% Ranges from 73% to 93% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
PRN	Experience Study	CIA 97-04 ALB	120%	N/A
FTA	Experience Study	CIA 97-04 ALB	140%	N/A
MetA	Experience Study	GAM 1994 Static tables	84%	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
IndA	Experience Study	1983 IAM Tables	100%	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
Ind Health Disabled Life	Experience Study	CSO 2001 Ult Agg ALB	100%	N/A
Group Health Disabled Life	Experience Study	CIA 97-04 ALB	100%	N/A
Ind CI	Experience Study	CIA 8692 ALB/ANB	85%	N/A
Group Life Gen Leasing	Experience Study	CIA 97-04 ALB	90%	N/A
Group Life Home Trust	Experience Study	CIA 8692 ANB	100%	N/A
Group Health Gen Leasing DI Life Plus	Experience Study	CIA 97-04 ALB	100%	N/A
Group Health Gen Leasing DI Other	Experience Study	CIA 97-04 ALB	100%	N/A

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

	Mortality projections model	Mortality table used and assumptions	Percentage Range for Mortality Table	Adjustments for long term mortality improvements
<b>2023</b>				
<b>CPP 4000 &amp; 8000 Series</b>				
Acceptance Life, Deferred Life and Deferred Term, Simplified Life, Simplified Term, Simplified Plus Life, Simplified Plus Term	Experience Study	CIA 97-04 ANB	% Ranges from 44% to 300% for all Issue Ages.	N/A
<b>CPP 6000 Series</b>				
Acceptance Life, Deferred Life and Deferred Term, Simplified Term/Life, Simplified Plus Term/Life	Experience Study	CIA 97-04 ANB	% Ranges from 91% to 350% and varies by Issue Age.	N/A
<b>CPP 7000 Series</b>				
Guaranteed Acceptance	Experience Study	CIA 97-04 ANB	% Ranges from 350% to 1000% for all Issue Ages.	N/A
Deferred Life, Deferred Elite Term/Life, Simplified Elite Term/Life, Preferred Life/Term, Preferred Elite Life/Term	Experience Study	CIA 97-04 ANB	% Ranges from 60% to 450% for all Issue Ages.	N/A
<b>CPP 7000 Series Pre Oct 2022</b>				
Deferred Elite Term/Life	Experience Study	CIA 97-04 ANB	% Ranges from 130% to 210% for all Issue Ages.	N/A
<b>Other FLIC Products</b>				
NPWL	Experience Study	CIA 97-04 ANB S&U	% Ranges from 64% to 111% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
Par	Experience Study	CIA 97-04 ANB	% Ranges from 83% to 140% for all Issue Ages.	N/A
CPP Life and Term	Experience Study	CIA 97-04 ANB	% Ranges from 72% to 140% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
CPP CI	Experience Study	CIA 97-04 ANB	% Ranges from 79% to 88% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
Pru	Experience Study	CIA 8692 ANB	60% of blended CIA 8692 Ultimate ANB table assuming 30% of male and 70% of female	N/A
Metropolitan Life	Experience Study	CIA 8692 ALB	60% of Aggregate Table	N/A



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

RCT	Experience Study	CIA 97-04 ANB	% Ranges from 73% to 93% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
LPS	Experience Study	CIA 97-04 ANB	% Ranges from 73% to 93% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
FTL	Experience Study	CIA 97-04 ALB	140%	N/A
CPSA	Experience Study	CIA 8692 ALB	Life: 55% of CIA 8692 Male Ult ALB AD rider: 100% of 1990-92 ADB Male	N/A
NP Other	Experience Study	CIA 97-04 ANB	% Ranges from 73% to 93% for all Issue Ages.	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
PRN	Experience Study	CIA 97-04 ALB	120%	N/A
FTA	Experience Study	CIA 97-04 ALB	140%	N/A
MetA	Experience Study	GAM 1994 Static tables	84%	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
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Ind Health Disabled Life	Experience Study	CSO 2001 Ult Agg ALB	100%	N/A
Group Health Disabled Life	Experience Study	CIA 97-04 ALB	100%	N/A
Ind CI	Experience Study	CIA 8692 ALB/ANB	85%	N/A
Group Life Gen Leasing	Experience Study	CIA 97-04 ALB	90%	N/A
Group Life Home Trust	Experience Study	CIA 8692 ANB	100%	N/A
Group Health Gen Leasing DI Life Plus	Experience Study	CIA 97-04 ALB	100%	N/A
Group Health Gen Leasing DI Other	Experience Study	CIA 97-04 ALB	100%	N/A

## Lapse

Policyholders may either surrender their policies for cash value, where applicable or allow their policies to lapse by choosing to discontinue payment of their premiums. The Company performs annual studies to review lapse and surrender experience, and bases its estimate of future lapse rates on previous experience for each block of business.

The Company relies on industry experience where its own experience lacks statistical credibility. Selection of certain lapse rates, especially for long duration lapse supported business, are based on professional guidance.

The following table sets out the assumptions about surrender rates (expressed as weighted averages) by policy anniversary for products.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

	2024 and 2023				
	1 year	5 years	10 years	15 years	20 years
<b>CPP All series</b>					
All Underwriting Class Term (incl Express Elite)	9%-21%	2% - 6%	1% -6%	1.5%- 4%	4% -10%
All Underwriting Permanent	16% -25%	2% - 4%	2%	1%- 1.5%	1% - 1.5%
<b>CPP CI</b>					
T75	14%-18%	4%	3%	3%	3%
T20	9% -19%	4%-5%	4%	4%	4%
* renewal lapse rates not included					

	2024 and 2023				
	1 year	5 years	10 years	15 years	20 years
<b>Renewable &amp; Convertible Term</b>					
R&C Term*	3.5% to 16%	4% to 12%	2% to 8%	3% to 5%	3% to 5%
Life & 20 Pay	18%	4%	2%	2%	2%
<b>Deferred Term</b>					
T10	10%	5%	3%	—%	—%
T20	10%	4%	2%	2%	2%
T100	10%	4%	2%	2%	—%
* renewal lapse rates not included					
<b>Renewable &amp; Convertible Term</b>					
Lapse Supported	10%	3%-6%	1%- 2%	0.5% -1%	0.3%-1%

## Investment returns

The Company segments assets supporting insurance contract liabilities by line of business and establishes investment strategies for each liability segment. Uncertainties exist with respect to projections of risk-free interest rates, credit spreads and the magnitude of credit losses resulting from asset depreciation.

## Expenses

The Company projects estimates of future expenses relating to fulfillment of contracts in the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the portfolio of contracts including an allocation of fixed and variable overheads. Where asset management services are provided for the insurance operational segments as part of contractual arrangements with policyholders, the Company projects future expenses based on the direct costs as incurred by the Company rather than based on management fees charged explicitly to the policyholder account values or internal fees charged to the insurance operating segments for providing these services. The expense inflation assumption is considered to be a non-financial risk. The Company has not changed its methods or assumptions used to project expenses in 2024. Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## ii) Discount rates

The Company applied the bottom-up approach to derive the discount rate for the cash flows that do not vary based on the returns of the underlying item. Under this approach the discount rate is determined using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by an underlying asset reference portfolio. The asset portfolio used to determine the risk free rate curves comprised of federal government bonds with an observable period of 20 years in Canada. The illiquidity premium in the observable period was determined using a hybrid approach with the use of a reference portfolio of assets representing the liquidity characteristics of the three liquidity buckets of products (high, medium and low). The reference portfolio comprised of various types of fixed income assets, including provincials, corporates, private placements and mortgage loans where applicable. The credit spread for each of these reference portfolios was determined based on published corporate bond rates and spread available by jurisdiction and quality and based on similar assets held for each of these three types of products. A ratio was then applied to the credit spread.

As noted previously the observable period used in the bottom-up approach was estimated to be 20 years. For the unobservable period (after 20 years), the yield curve was interpolated between an ultimate rate and last observable point based on a number of working assumptions derived by the Company.

The tables below set out the yield curves used to discount the cash flows that do not vary of insurance contracts for major currencies:

Spot Rates	2024				
	1 year	5-year	10-year	15 years	20 years
Product [Low]	3.71 %	3.91 %	4.49 %	4.67 %	4.89 %
CAD					
Spot Rates	2023				
	1 year	5-year	10-year	15 years	20 years
Product [Low]					
CAD	5.23 %	4.26 %	4.52 %	4.59 %	4.67 %
Spot Rates	2024				
	1 year	5-year	10-year	15 years	20 years
Product [Medium]	3.46 %	3.66 %	4.24 %	4.42 %	4.64 %
CAD					
Spot Rates	2023				
	1 year	5-year	10-year	15 years	20 years
Product [Medium]					
CAD	4.98 %	4.01 %	4.27 %	4.34 %	4.42 %

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

The tables below set out the yield curves used to discount the cash flows that vary of insurance contracts for major currencies:

Forward Rates	2024				
	1 year	5-year	10-year	15 years	20 years
Product [Par]	4.85 %	4.75 %	5.10 %	4.86 %	5.06 %
CAD					
	2023				
	1 year	5-year	10-year	15 years	20 years
Product [Par]					
CAD	7.12 %	4.56 %	4.63 %	4.52 %	4.73 %

## iii) Risk Adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by the Margin approach, which is widely used within the industry. These margins are then adjusted (reduced) to reflect a 12.5% between-risk diversification within each entity. The margin assumptions will be reviewed annually as part of the experience study reviews and adjusted if required to achieve a desired confidence level range. The desired confidence level will be on the entity level and net of reinsurance. For the year ended 2024, the confidence level for the risk adjustment is 79.1% (2023: 78.2%).

### Contractual service margin

The CSM of a group of insurance contracts is recognized as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the benefits and investment return service benefits provided and its expected coverage duration. The coverage units are reviewed and updated each reporting date.

Type of Product	Quantity of Benefits Provided	Investment Return Service Benefit
Term life	Contractual maximum benefit	N/A
Participating Whole Life	Net amount at risk	Investment component payable
Non-Participating Whole Life	Contractual maximum benefit	N/A
Endowment Life	Net amount at risk	Investment component payable
Universal Life	Net amount at risk or death benefit plus account value (depending on policyholder choice)	Investment component payable
Payout Annuities (no guaranteed payments)	Gross periodic benefit payment	N/A
Payout Annuities (with guaranteed payments)	Gross periodic benefit payment that the policyholder can claim	Periodic guaranteed payment
Deferred Annuities	Gross periodic benefit payment	Investment component payable upon death or surrender
	Critical illness benefit amount payable in event of a critical illness	
Accident and Sickness Coverage	For disability policies / LTC, periodic benefit payable payment	N/A
Creditor Life	Periodic death or disability benefit	N/A
Preneed Coverage	Net amount at risk	Investment component payable

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

For reinsurance contracts held, the CSM amortization reflects the expected pattern of underwriting of the underlying contracts because the level of service received depends on the number of underlying contracts in force.

## iv) Weighting of benefits provided by insurance coverage

For insurance contracts that provide both an insurance coverage and investment service, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholders by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits. More specifically, the contract service margin is released into income, when insurance contract services are provided, by using coverage units. Coverage units represent the quantity of service (insurance coverage, investment return and investment related services) provided and are determined by considering the benefit provided under the contract and its expected duration. When the relative size of the investment related service coverage or investment return service coverage unit is disproportionate compared to the insurance service coverage unit, or vice-versa, the Company must determine a relative weighting of the services to reflect the delivery of those services.

## d) Investment components

The Company identifies the investment component of a contract as part of its product governance process by determining the amount that it would be required to repay to the policyholder under all circumstances. Investment components are excluded from insurance revenue and insurance service expenses. Investment components typically found in the Company's products include cash surrender values, account values, policyholder loans and guaranteed dividends in closed blocks of business. We identify investment components by determining the amount that will always be returned to a policyholder, regardless if a claim occurs.

Type of Product	Investment Component
Participating Whole Life	Guaranteed cash value
Non-Participating Whole Life	Guaranteed cash value
Universal Life	Account value
Payout Annuities	Guaranteed amount
Deferred Annuities	Cash value

## e) Changes in actuarial methods and assumptions

The Company ensures the appropriateness of liability risk assumptions by monitoring experience and updating these assumptions based on an annual, comprehensive review of its actuarial methods and assumptions. The updated assumptions and methods reflect the best estimate of expected future experience, along with appropriate margins for the risks assumed. Ongoing experience monitoring and changes in the external environment may necessitate future updates to actuarial assumptions, which, in turn, create potential downstream impact to insurance contract liabilities. Typically, changes resulting from this review are implemented in the third and fourth quarters of each year.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

The following table shows the impact of changes in actuarial methods and assumptions on pre-tax fulfillment cash flows:

	2024	2023
	\$	\$
1. Mortality Assumption	8,814	3,284
2. Selective Lapse Assumption	11,019	—
3. Dividend Review	188	(1,715)
4. Unit Cost Review	(1,577)	3,386
5. Economic Assumptions Review	904	2,577
6. Other Model Updates	—	107
	<b>19,348</b>	<b>7,639</b>

## 11. INVESTMENT CONTRACT LIABILITIES - EXCLUDING SEGREGATED FUNDS

### Reconciliation of changes in investment contract liabilities

The reconciliation of changes in investment contract liabilities during the year is shown in the table below:

	2024	2023
	\$	\$
<b>Balance, beginning of year</b>	5,507	5,536
Deposits received	3	3
Surrenders and withdrawals	(161)	(101)
Interest credited and others	69	69
<b>Balance, end of year</b>	<b>5,418</b>	<b>5,507</b>

## 12. CAPITAL MANAGEMENT

### a) Capital

Upon conversion to a stock company on April 2, 2008, the Company issued 50,000,000 common shares to Foresters Financial for proceeds of \$50 million.

The authorized capital of the Company consists of an unlimited number of common shares without nominal or par value.

The following table shows the number of outstanding shares:

	2024	2023
	\$	\$
50,000,000 common shares, no par value	50,000	50,000

Foresters Financial contributed \$nil in 2024 (2023: \$20,000) to the Company in the form of contributed surplus. The Company paid a dividend of \$nil (2023: \$nil) to Foresters Financial during the year.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## b) Capital management

The Company's capital base consists of share capital, contributed surplus, retained earnings and AOCI as shown on the consolidated statement of changes in equity.

The Company's objective with respect to capital management is to maintain a consistently strong capital position, to comply with Canadian solvency requirements and to build on the Company's value by taking advantage of business and investment opportunities as they arise.

In accordance with the Board-approved Capital Management Policy, the Company has established internal capital targets for capital adequacy. These targets exceed the minimum statutory capital requirements in Canada. The Company projects its capital requirements over a five-year period. On a quarterly basis, management monitors performance against internal capital targets and its capital plans, and initiates action when appropriate.

Annually, as part of FCT, the Company assesses the strength of its capital position under plausible adverse scenarios, including mitigating management actions. These scenarios reflect the Company's business plans and risk profile.

In Canada, OSFI has established a capital adequacy measure for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test ("LICAT"). OSFI requires life insurance companies to maintain a minimum Core ratio of 55% and a Total Ratio of 90%. OSFI has established supervisory target levels of 70% for Core and 100% for Total Capital.

The LICAT ratio as at December 31 in the following table was above the levels that would require any regulatory or corrective action.

		2024	2023
<b>Available capital (A+B)</b>	\$	353,647	\$ 340,752
Tier 1 Capital	A	273,989	246,373
Tier 2 Capital	B	79,658	94,379
<b>Surplus allowance and eligible deposits</b>	C	68,845	64,465
<b>Base solvency buffer</b>	D	211,547	205,400
<b>Total ratio (%)</b>			
([A+B+C] / D) x 100		199.72 %	197.28 %

### Other capital management considerations

On October 1, 2021, the Company entered into a coinsurance agreement with its parent company, Foresters Financial, to reinsure a block of in-force non participating business with a 100% quota share. The agreement has an unlimited term but may be amended or terminated by both parties by mutual consent at any time. Under the terms of the agreement, the Company will maintain responsibility for servicing the policies. The transaction was structured such that the Company ceded policyholder contract liabilities and transferred related invested assets backing these liabilities.

Refer to note 16 for additional details on the transactions recorded during the year.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## 13. FEE REVENUE AND OTHER OPERATING INCOME

Fee revenue and other operating income were comprised of the following:

	2024	2023
	\$	\$
Management fees on segregated fund assets	159	139
Other operating income	970	1,508
<b>Total fee revenue and other operating income</b>	<b>1,129</b>	<b>1,647</b>

Other operating income included \$937 of earn-out income (2023: \$1,500) from achieving a revenue target as part of the sale of Foresters Asset Management Inc. ("FAM") in 2019.

## 14. EXPENSES

A breakdown of expenses by nature is provided below:

	2024	2023
	\$	\$
Claims and benefits	146,646	145,321
Salaries, wages and allowances	32	386
Professional and other fees	9,916	6,737
Management fees	33,814	39,576
Service fees	6,604	12,466
Commissions	40,241	48,985
Losses and reversals of losses on onerous contracts	199,409	60,720
Depreciation of property & equipment	29	414
Amortization of intangible assets	2,266	2,064
<b>Subtotal</b>	<b>438,957</b>	<b>316,669</b>
Amounts attributed to insurance acquisition cash flows	(61,507)	(71,116)
Amortization of insurance acquisition cash flows	25,021	18,614
<b>Total</b>	<b>402,471</b>	<b>264,167</b>
<b>Represented by:</b>		
Insurance service expenses	397,377	252,392
Other operating expenses	5,094	11,775
<b>Total operating expenses</b>	<b>402,471</b>	<b>264,167</b>



# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## 15. INCOME TAXES

### a) Income tax expenses

Current and deferred taxes are included in income taxes on the consolidated statement of comprehensive income (loss) as follows:

	2024	2023
	\$	\$
<b>Current income tax expense:</b>	3,028	3,506
<b>Deferred income tax expense:</b>		
Relating to the origination and reversal of temporary differences	(850)	(703)
Change in unrecognized deductible temporary differences	1,870	2,913
Adjustments for prior periods	(91)	(509)
	929	1,701
<b>Total income taxes</b>	<b>3,957</b>	<b>5,207</b>

Cash taxes paid in 2024 were \$3,407 (2023: \$3,997). Cash taxes received in 2024 were \$722 including interest of \$9 (2023: \$2,576 including interest of \$16).

### b) Income taxes included in OCI

Other comprehensive income (loss) is presented net of income taxes. The following income tax recovery (expense) amounts were included in each component of OCI:

	2024	2023
	\$	\$
Income tax recovery (expense) on remeasurement gains (losses) on employee benefit plans	(3)	—
	<b>(3)</b>	<b>—</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## c) Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates to income before taxes for the following reasons:

	2024		2023	
	\$	%	\$	%
Total net income (loss) for the year	6,233		6,343	
Total income tax expense (recovery)	3,957		5,207	
<b>Income (Loss) before income taxes</b>	<b>10,190</b>		<b>11,550</b>	
Combined federal and provincial statutory income tax rate for the current year	2,681	26.3	3,041	26.3
Capital taxes	2,975	29.2	2,927	25.3
Amounts not subject to tax	(1,102)	(10.8)	(817)	(7.1)
Tax adjustments for prior periods	(74)	(0.7)	675	5.8
Other adjustments related to differences in tax rates	21	0.2	(18)	(0.2)
Unrecognized deferred taxes	(560)	(5.5)	(549)	(4.8)
Other taxes	16	0.2	(52)	(0.5)
<b>Effective tax rate</b>	<b>3,957</b>	<b>38.8</b>	<b>5,207</b>	<b>45.1</b>

## d) Deferred income taxes

In certain instances, the tax basis of assets and liabilities differs from the carrying amount in the consolidated financial statements. These differences will give rise to deferred income tax assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity.

The following chart shows the underlying assets and liabilities corresponding to net deferred income tax assets and liabilities:

	2024			2023		
	Asset \$	Liability \$	Net \$	Asset \$	Liability \$	Net \$
Bonds	—	(36)	(36)	—	(63)	(63)
Property and equipment	—	(860)	(860)	—	(1,286)	(1,286)
Other invested assets	812	—	812	—	(86)	(86)
Employee benefit obligations	64	—	64	69	—	69
Insurance contract liabilities	17,583	—	17,583	17,555	—	17,555
Other liabilities	10	—	10	10	—	10
Tax loss carryforward	12,904	—	12,904	15,207	—	15,207
OCI	—	(3)	(3)	—	—	—
<b>Recognized deferred tax assets</b>	<b>31,373</b>	<b>(899)</b>	<b>30,474</b>	<b>32,841</b>	<b>(1,435)</b>	<b>31,406</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

The net movement in the deferred tax account is as follows:

	2024	2023
	\$	\$
<b>Beginning of year</b>	31,406	33,106
Origination and reversal of temporary differences	(1,576)	(2,223)
Change in unrecognized deductible temporary differences	559	549
Adjustments for prior periods	88	(26)
Credits (charges) included in OCI	(3)	—
<b>End of year</b>	<b>30,474</b>	<b>31,406</b>

Deferred income tax assets and liabilities are recognized for unclaimed deductions carried forward to the extent that the realization of the future tax benefit through future taxable profits is probable.

There were unclaimed tax deductions in Canada amounting to 6,055 (2023: \$5,419) which have not been recognized in the consolidated financial statements as it is not probable that future taxable income will be available against which to apply these deductions. These unclaimed deductions do not expire.

There were unclaimed tax deductions and tax credits amounting to \$12,361 (2023: \$11,125) that have not been recognized in the consolidated financial statements as it is not probable that future taxable income will be available against which to apply these deductions. These unclaimed tax credits expire beginning in 2032 through 2044.

## 16. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Foresters Financial. Effective April 2, 2008, all the employees of the Company became employees of Foresters Financial. Salaries, benefits and related employee future benefit obligations for employees of Foresters Financial dedicated to the Company are paid by the Company. Foresters Financial provides various support functions in the normal course of business, including human resources, internal audit, legal and compliance, investment management and actuarial services. The cost of these support function services to the Company is charged based on usage. The charge to the Company by Foresters Financial for the support functions in 2024 was \$27,364 (2023: \$26,676) and is included in management fees (note 14).

### [Compensation of key management personnel](#)

The Company's key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the organization. Key management personnel comprise directors and executive officers of the Company.

The remuneration of key management personnel was as follows:

	2024	2023
	\$	\$
Salaries and other short-term employee benefits	1,501	2,182
Post-employment benefits	134	186
Other long-term benefits	210	772
Termination benefits	196	268
<b>Total compensation of key management personnel</b>	<b>2,041</b>	<b>3,408</b>

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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## Reinsurance transaction

On October 1, 2021, the Company entered into a coinsurance agreement with its parent company, Foresters Financial, to reinsure a block of in-force non participating business with a 100% quota share. In 2024, the Company recorded a pre-tax gain of \$104,549 (2023: \$45,472), which includes net expenses from reinsurance contracts of \$107,156 (2023: \$11,465) and insurance finance income (expense) from reinsurance contracts of \$(2,607) (2023: \$34,007).

At December 31, 2024, the net amount owing to Foresters Financial was \$21,715 (2023: \$32,204), including \$1,183 (2023: \$7,819) reported in Other Liabilities (note 9).

## Other related party transactions

In 2024, Canada Protection Plan Inc. ("CPP"), a wholly owned subsidiary of Foresters Financial, charged the Company \$24,638 (2023: \$28,510) in commissions, \$6,382 (2023: \$12,227) for service fees (note 14) and \$6,450 (2023: \$12,900) in management fees (note 14). At December 31, 2024, the amount owing to (from) CPP was \$(1,498) (2023: \$5,241).

## 17. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

### a) Policy dividend practices pursuant to assumption reinsurance transactions

#### i) MetLife Canada

On October 30, 2009, the Company acquired insurance policies, annuities and certificates from MetLife Canada pursuant to an assumption reinsurance transaction and agreed to continue the dividend practices of MetLife Canada for the assumed policies.

On April 7, 2000, Metropolitan Life Insurance Company ("Metropolitan") converted from a mutual life insurance company to a stock company and became a wholly owned subsidiary of MetLife, Inc. a Delaware corporation. The conversion was pursuant to an order by the New York Superintendent of Insurance approving Metropolitan's plan of reorganization.

In order to satisfy the New York State Department of Financial Services ("NYSDFS") that participating policyholders of Metropolitan would be treated fairly after demutualization, the Canadian branch of Metropolitan (the "Metropolitan Branch") committed to paying dividends to its individual participating policyholders in accordance with the following objectives:

- For ordinary and industrial participating life insurance, dividend mortality was set at the 2000 dividend scale level, dividend expenses were set at the 2000 dividend scale level indexed with inflation and dividend interest rates are adjusted based on a 10-year rolling average of the 10-year Canada bond rate less an adjustment for taxes.
- Commitments for the individual health insurance and individual annuities lines of business are not expected to produce dividends.

These dividend-paying policies were assumed by MetLife Canada on January 2, 2006 from the Metropolitan Branch on domestication and subsequently, by the Company on October 30, 2009. Although these dividend-paying policies do not fall within the definition of "participating policies" in the Act and were not considered participating policies of MetLife Canada, MetLife Canada agreed with OSFI at the time of domestication to honour the dividend commitment made by the Metropolitan Branch to the New York State Insurance Department ("NYSID") with respect to these dividend-paying policies. These policies will also not be considered to be participating policies by the Company under the Act, but the

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

Company has in turn agreed to follow the MetLife Canada dividend paying-policy and practices with respect to the assumed policies.

## ii) Prudential

On July 31, 2006, the Company acquired insurance policies from Prudential Insurance Company of America ("Prudential") pursuant to an assumption reinsurance transaction and agreed to continue the dividend practices of Prudential for the assumed policies.

On December 18, 2001, Prudential converted from a mutual insurance company to a stock company. Under demutualization, a Canadian closed block was established with a transfer of specific assets to back the Canadian liabilities of the life insurance policies. Dividends were then based on the experience of this closed block.

In view of the exposure that the emerging experience would fluctuate as the size of the Canadian closed block continued to decline, Prudential applied to the New Jersey regulators in early 2006 to terminate the Canadian closed block. In order to protect the policyholders' reasonable dividend expectation, a three-factor formula was developed for calculating future dividend. The factors reflect:

- industry mortality experience with annual mortality improvements guaranteed for each of the next 8 years;
- the interest earned on the fund graded over the next 23 years into a rolling average of prevailing 10 year Government of Canada bond rates;
- a fixed level of expense

The New Jersey regulator has accepted the change on the condition that the policyholders will have their reasonable dividend expectations protected by the new dividend formula. Although these policies will not be considered to be participating policies by the Company under the Act, the Company has in turn agreed to follow the Prudential dividend policy and practices with respect to the assumed policies.

	Policy Liabilities of Assumed Policies - Prudential	
	2024	2023
	\$	\$
Individual Life	76,410	78,582
Total	<b>76,410</b>	<b>78,582</b>

**b)** In the normal course of business, the Company enters into contracts that give rise to obligations fixed by agreement as to the timing and dollar amount of payment. The Company did not have any contractual obligations and commitments as at December 31, 2024 and December 31, 2023.

The Company is a guarantor on certain annual management fee requirements to a third party. Management has assessed that no financial obligation exists as the likelihood of not reaching the pre-determined threshold is low.

# Notes to consolidated financial statements

For the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

## 18. CONTINGENT LIABILITIES

From time to time in connection with its operations, the Company and its subsidiaries are named as defendants in actions for damages and costs allegedly sustained by the plaintiffs. Based on information presently known, it is not expected that existing legal actions, either individually or in the aggregate, will have a material adverse effect on the Company's consolidated statement of financial position.

## 19. PRINCIPAL SUBSIDIARIES

The table below provides information with respect to the Company's subsidiaries whose financial statements have been consolidated in these financial statements:

Name	Country of incorporation	Primary business operation	Ownership and control interest (%)	
			December 31, 2024	December 31, 2023
Genisystems.ca Services Inc.	Canada	Insurance services	100	100

## 20. COMPARATIVE INFORMATION

Certain comparative amounts have been adjusted or reclassified to conform to the current year's presentation.



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**Foresters**   
**Financial**

**Assuris**

Foresters Life Insurance Company is a member of Assuris (Canadian Life & Health Insurance Compensation Corporation). Assuris administers the consumer protection plan that provides protection to the policyholders of member companies. Policyholders and prospective policyholders are invited to visit their website at <http://www.assuris.ca> or read the Assuris brochure for details and limitations of coverage. 414857 CAN (04/25)