2023 Consolidated Financial Report

Foresters Life
Insurance Company

Year ended
December 31, 2023

Foresters Financial

Consolidated Financial Statements and Notes - Table of Contents

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. IFRS Accounting Standards ("IFRS") 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 KPMG LLP Chartered Professional Accountants ("Auditors"). 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 Auditors' report outlines the scope of their audit and their opinion.

Matthew M. Berman	Alvin Sharma
President and Chief Executive Officer	Chief Financial Officer

Toronto, Ontario, Canada
February 23, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Foresters Life Insurance Company

Opinion

We have audited the consolidated financial statements of Foresters Life Insurance Company (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of comprehensive income (loss) for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

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

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

Emphasis of the Matter - Changes in Accounting Policies and Comparative Information

We draw attention to Note 2.1 to the financial statements ("Note 2.1"), which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy with respect to IFRS 17:

- As at and for the year ended December 31, 2022 has been adjusted.
- As at January 1, 2022 has been derived from the financial statements for the year ended December 31, 2021 which has been adjusted (not presented herein).

We also draw attention to Note 2.2 to the financial statements ("Note 2.2") which explains the adjustment of retained earnings as at January 1, 2023 as a result of a full retrospective adoption of a change in accounting policy with cumulative impact with respect to IFRS 9.

Notes 2.1 and 2.2 explain the reason for the adjustments. Our opinion is not modified in respect of these matters.

Other Matter - Changes in Accounting Policies and Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we audited the adjustments that were applied to adjust certain comparative information presented:

- As at and for the year ended December 31, 2022.
- As at January 1, 2022.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to retained earnings as at January 1, 2023. In our opinion, such adjustments are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

February 23, 2024

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, 2023.

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.

Trudy Engel
Fellow, Canadian Institute of Actuaries

Toronto, Ontario, Canada
February 23, 2024

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

	Note	2023	2022 (Adjusted)
Insurance revenue	10	$ 222,941	$ 206,207
Insurance service expenses	10	(252,392)	(229,268)
Net recovery from reinsurance contracts held	10	26,978	24,683
Insurance service result		**(2,473)**	**1,622**
Interest revenue calculated using the effective interest method	3	—	6,753
Net investment income (loss)	3	59,383	(112,239)
Net investment result excluding result of segregated funds		59,383	(105,486)
Net investment income (loss) related to segregated funds net assets		1,166	(3,938)
Financial changes related to segregated funds net liability		(1,166)	3,938
Net investment result of segregated funds		—	—
Investment return		**59,383**	**(105,486)**
Net finance income (expenses) from insurance contracts	10	(108,445)	285,308
Net finance income (expenses) from reinsurance contracts held	10	73,282	(203,457)
Movement in investment contract liabilities		(69)	(71)
Net financial result		**24,151**	**(23,706)**
Fee revenue and other operating income	13	1,647	1,647
Operating expenses	14	(11,775)	(9,119)
Income (Loss) before income taxes		**11,550**	**(29,556)**
Current income tax benefit (expense)	15	(3,506)	(7,557)
Deferred income tax benefit (expense)	15	(1,701)	19,431
Total Income Taxes		(5,207)	11,874
Net Income (Loss)		**6,343**	**(17,682)**
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to income (expenses)			
Remeasurement gains (losses) on employee benefit plans, net of income tax recovery (expense) of $0 (2022: ($50))	6	(1)	141
Items that will not be reclassified to income (expenses)		**(1)**	**141**
Items that are or may be reclassified subsequently to income (expenses)			
Net change in unrealized gains (losses) on available-for-sale assets net of income tax recovery of $0 (2022: $12,344)		—	(34,764)
Reclassification of net realized (losses) gains on available-for-sale assets, net of income tax expense of $0 (2022: $3,378), to net income		—	9,513
Items that are or may be reclassified subsequently to income (expenses)		**—**	**(25,251)**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**(1)**	**(25,110)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ 6,342**	**$ (42,792)**

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

Foresters Life Insurance Company
Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

	Note	December 31, 2023	December 31, 2022 (Adjusted)	January 1, 2022 (Adjusted)
ASSETS				
Cash, cash equivalents and short-term securities	3	$ 76,525	$ 40,842	$ 28,826
Financial assets measured at fair value	3	727,558	764,387	1,001,313
Reinsurance contract held assets	10	705,555	608,927	754,772
Accrued investment income		4,461	4,357	4,730
Accounts receivable		2,182	4,736	48
Other assets		253	181	139
Property and equipment	5	79	466	842
Current tax assets	15	338	2,433	25,489
Deferred tax assets	15	31,406	33,106	13,725
Intangible assets	7	9,160	7,474	5,101
Net investments for accounts of segregated fund unit holders	4	13,173	13,032	15,349
TOTAL ASSETS		**$ 1,570,690**	**$ 1,479,941**	**$ 1,850,334**
LIABILITIES				
Insurance contract liabilities excluding those for account of segregated fund holders	10	$ 1,252,010	$ 1,123,711	$ 1,397,473
Insurance contract liabilities for account of segregated fund holders	10	13,173	13,032	15,349
Reinsurance contract liabilities held	10	2	65,370	118,637
Other liabilities	9	13,457	12,090	60,021
Employee benefit obligations	6	262	265	460
Investment contract liabilities - Excluding segregated fund net liabilities	11	5,507	5,536	5,665
TOTAL LIABILITIES		1,284,411	1,220,004	1,597,605
EQUITY				
Participating policyholders' equity		1,190	1,241	1,191
Shareholder's equity				
Common shares	12	50,000	50,000	50,000
Contributed surplus	12	316,964	296,964	246,964
Retained earnings		(80,478)	(74,859)	(57,127)
Accumulated other comprehensive income		(1,397)	(13,409)	11,701
		285,089	258,696	251,538
TOTAL EQUITY		286,279	259,937	252,729
TOTAL LIABILITIES AND EQUITY		**$ 1,570,690**	**$ 1,479,941**	**$ 1,850,334**

The accompanying 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						
	Participating Policyholders	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income – Unrealized gains (losses) on available-for-sale assets	Accumulated other comprehensive income – Remeasurement gains (losses) on employee benefit plans	Total shareholder's equity	Total equity
Balance as at January 1, 2022, as previously reported	$ 1,191	$ 50,000	$ 246,964	$ (6,645)	$ 13,238	$ (1,537)	$ 302,020	$ 303,211
Adjustment on initial application of IFRS 17, net of taxes	—	—	—	(50,482)	—	—	(50,482)	(50,482)
Adjusted balance as at January 1, 2022	1,191	50,000	246,964	(57,127)	13,238	(1,537)	251,538	252,729
Net income (loss) for the year	50	—	—	(17,732)	—	—	(17,732)	(17,682)
Other comprehensive income (loss) for the year	—	—	—	—	(25,251)	141	(25,110)	(25,110)
Total other comprehensive income (loss) for the year (adjusted)	50	—	—	(17,732)	(25,251)	141	(42,842)	(42,792)
Contribution of capital	—	—	50,000	—	—	—	50,000	50,000
Adjusted balance at December 31, 2022	1,241	50,000	296,964	(74,859)	(12,013)	(1,396)	258,696	259,937
Impact of initial application of IFRS 9 financial instruments adoption, net of taxes	—	—	—	(12,013)	12,013	—	—	—
Adjusted balance at January 1, 2023	1,241	50,000	296,964	(86,872)	—	(1,396)	258,696	259,937
Net income (loss) for the year	(51)	—	—	6,394	—	—	6,394	6,343
Other comprehensive income (loss) for the year	—	—	—	—	—	(1)	(1)	(1)
Total comprehensive income (loss) for the year	(51)	—	—	6,394	—	(1)	6,393	6,342
Contribution of capital	—	—	20,000	—	—	—	20,000	20,000
Balance as at December 31, 2023	$ 1,190	$ 50,000	$ 316,964	$ (80,478)	$ —	$ (1,397)	$ 285,089	$ 286,279

The accompanying 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)

	2023 $	2022 (Adjusted) $
Cash flow from operating activities		
Net income (loss)	$ 6,343	$ (17,682)
Items not affecting cash:		
Depreciation and Amortization	2,478	1,391
Net increase (decrease) in insurance contracts	128,299	(273,762)
Net (increase) decrease in reinsurance contracts held	(161,996)	92,578
Net increase (decrease) in investment contracts	(29)	(129)
Net realized and unrealized (gains) losses on financial investments and derivatives	(28,667)	135,588
Amortization of premium and discount on bonds	—	(1,962)
Deferred income tax expense (recovery)	1,701	(19,431)
Net change in other assets and other liabilities	1,524	(23,862)
Increase (decrease) due to operating activities	(56,690)	(89,589)
Cash flow from investing activities		
Investments sold or matured:		
Bonds	696,323	636,380
Equities	4,243	21,316
Investments acquired:		
Bonds	(649,233)	(559,058)
Equities	(606)	(9,185)
Other items, net	15,303	(20,166)
Increase (decrease) due to investing activities	66,030	69,287
Cash flow from financing activities		
Contribution of capital	20,000	50,000
Increase (decrease) due to financing activities	20,000	50,000
Net increase in cash, cash equivalents and short-term securities	35,683	12,016
Cash, cash equivalents and short-term securities, beginning of year	40,842	28,826
Cash, cash equivalents and short-term securities, end of year	$ 76,525	$ 40,842
Cash and short-term securities consist of:		
Cash	$ 71,013	$ 33,911
Short-term securities	5,512	6,931
	$ 76,525	$ 40,842

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

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 and investment management services.

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.

As explained in Note 2, the Company has adopted IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments, including any consequential amendments to other standards, with a date of initial application of January 1, 2023. The requirements of IFRS 17 and IFRS 9 have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Company has adjusted certain comparative amounts and presented a third statement of financial position as at January 1, 2022.

Note 2 describes the impact of adopting IFRS 17 and IFRS 9, including the key changes from prior accounting standards. Note 1.5 contains updated and revised accounting policies for invested assets as a result of adopting IFRS 9. Note 1.8 contains updated and revised accounting policies for insurance contracts. There are also significant updates and enhancements found in Note 3 Financial Instruments, Note 10 Insurance Contracts Issued and Reinsurance Contracts Held, Note 11 Investment contract liabilities - Excluding segregated funds, Note 8 Risk Management.

1.1 Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the accounting requirements of OSFI.

These consolidated financial statements were authorized for issue by the Board of Directors on February 23, 2024.

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
Available-for-sale ("AFS") financial assets (applicable before Jan 1, 2023)	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.

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
Invested Assets	a) Classification of financial assets including assessing the business model in which the asset is managed and the contractual terms of the asset
	b) Determining the fair value of financial assets and financial liabilities
Insurance contracts issued and reinsurance contracts held	c) Classification of insurance contracts issued and reinsurance contracts held, including assessing whether the contract transfers significant insurance risk and whether it it contains embedded derivatives, investment components, non-insurance goods and services [Note 10].
	d) Whether an insurance contract qualifies as a 'direct participating insurance contract' [Note 10]
	e) 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]
	f) 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]
	g) Assessing whether the full retrospective transition approach is practicable and estimating the fair value of insurance contracts issued and reinsurance contracts held on transition [Note 10]
Other	Recognition and measurement of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 15]

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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 20.

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 original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2023.

	2023 (IFRS 9)	2022 (IAS 39)
Cash, cash equivalents and short-term securities	FVTPL	Amortized cost
Bonds	FVTPL	FVTPL or AFS
Equities	FVTPL	FVTPL or AFS
Other invested assets	FVTPL	FVTPL or AFS
Derivatives	FVTPL	FVTPL or AFS
Investments for accounts of segregated fund unit holders	FVTPL	FVTPL or AFS
Non-unit linked investment contracts	Amortized cost	Amortized cost
Other liabilities	Amortized cost	Amortized cost
Receivables and Payables	Amortized cost	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.

IFRS 9 Policies

b) Invested assets - classification and measurement for 2023

Classification

On initial recognition, a financial asset is classified as measured at FVTPL, FVOCI 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.

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

a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) 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 or FVOCI 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 or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 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).

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) Pre-IFRS 9 Policies (IAS 39)

Foresters Financial did not apply the overlay approach for IFRS 9 and did not change its classification and measurement of any financial assets held in the 2022 comparative period as a result of the adoption of IFRS 17 and IFRS 9.At initial recognition, invested assets are designated or classified as FVTPL, AFS or loans and receivables as follows:

	FVTPL assets	AFS assets	Loans and receivables
Short-term securities			X
Bonds	X	X	
Equities	X		
Other invested assets	X	X	

Invested assets can be classified as FVTPL assets if they are acquired principally for the purpose of selling or repurchasing in the near term.

Invested assets supporting insurance and investment contract liabilities are designated as FVTPL in order to reduce measurement or recognition inconsistencies that would otherwise arise as a result of measuring assets and the corresponding liabilities on different bases.

Invested assets supporting surplus are classified as AFS assets.

Cash and short-term securities

Cash is comprised of cash balances and overnight deposits. Short-term securities are carried at amortized cost and include highly liquid investments with original maturities of more than three months, but less than one year.

The carrying value of cash and short-term securities approximates their fair value.

Bonds

Bonds are designated as either FVTPL or AFS and are initially recorded at fair value on the trade date.

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. The Company does not have any bonds for which the fair value is determined using a valuation technique based on assumptions that are not supported by observable market prices or rates.

Interest income is recorded as net interest and dividends, a component of investment income on the consolidated statement of comprehensive income (loss) on an accrual basis using the effective interest method and realized gains and losses on the sale of bonds are recorded as net realized gains (losses), both of which are components of net income on the consolidated statement of comprehensive income (loss).

Changes in the fair value of FVTPL bonds are recorded as net change in unrealized gains (losses) on fair value through profit and loss investments, a component of net income on the consolidated statement of comprehensive income (loss).

Changes in the fair value of AFS bonds are recorded as net change in unrealized gains (losses) on available-for-sale assets, a component of other comprehensive income (“OCI”) on the consolidated statement of comprehensive income (loss).

Equities

Equities are designated as FVTPL and are initially recorded at fair value on the trade date.

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 is recorded as net interest and dividends on the ex-dividend date and realized gains and losses on the sale of equities are recorded as net realized gains (losses), both of which are components of net income on the consolidated statement of comprehensive income (loss).

Changes in the fair value of FVTPL equities are recorded as net change in unrealized gains (losses) on fair value through profit and loss investments, a component of net income on the consolidated statement of comprehensive income (loss).

Other Invested Assets

Limited partnerships

Limited partnerships support insurance contract liabilities and surplus. The assets are classified as FVTPL and AFS and 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. Changes in fair value are recorded as net change in unrealized gains (losses) on fair value through profit and loss and through other comprehensive income. Realized gains or losses on sale are recorded as net realized gains (losses), both of which are components 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 classified as AFS and measured at fair value. Fair value is based on the net asset value of the segregated investment fund. Changes in fair value are recorded as net change in unrealized gains (losses) on available-for-sale assets, a component of OCI on the consolidated statement of comprehensive income (loss).

d) 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.

e) 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.

AFS assets are carried at fair value and unrealized change in gains and losses are recorded in OCI and accumulated in accumulated other comprehensive income ("AOCI"). When an AFS asset is identified as impaired, the net loss in AOCI is reclassified to net realized gains (losses), a component of net income on the consolidated statement of comprehensive income (loss). Any further reduction in value subsequent to the initial recognition of impairment is also included in net income in the period in which the change occurs.

f) 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). Changes in the fair value of AFS assets are recognized in OCI 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.

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

Intangible assets

i) 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 indefinite useful lives are reviewed annually for 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 and investment contracts

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
- 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).

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 pricing of these contracts such that they result in reinsurance contracts held in 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.

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 a group of reinsurance contracts held initiated that provide proportionate coverage at the same time as an onerous group of underlying contracts when an onerous group of underlying contracts is recognized before the coverage period of the group of reinsurance contracts held, or the later of the beginning of the coverage period of the group of reinsurance contracts held and the initial recognition of any underlying contract. The Company recognizes all other groups of reinsurance contracts from the beginning of the coverage period of the groups of reinsurance contracts. 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.

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 investment services). A substantive obligation to provide services ends when: • 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 risks; or • 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. 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: • 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 • has a substantive right to terminate the coverage.

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.

Insurance acquisition cash flows that the Company pays before the related group of contracts is recognized are presented as an insurance contract asset. When the group of contracts is recognized, these cash flows are included in the measurement of the group and the previously recognized asset is derecognized.

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.

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 profit or loss. A loss component is created to depict any losses recognized in profit or loss, which determines the amounts that are subsequently presented in profit or loss 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 group 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:
    - 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 profit or 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 profit or 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 FCF are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognized in profit or loss; and
- 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, measured at the discount rates determined on initial recognition; 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 FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- changes in the FCF relating to the liability for incurred claims; and
- experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

Changes in discretionary cash flows are regarded as relating to future services and accordingly adjust the CSM.

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 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 profit or 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 Company 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 profit or 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 profit or loss;
- the effect of any currency exchange differences on the CSM; and
- the amount recognized in profit or loss because of the services received in the period.
- the income recognized in profit or 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;
- 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 does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

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 included in insurance finance income (expenses);
    - Changes that relate to future coverage (which adjust the CSM); and
    - Amounts allocated to the loss component;
  - Amounts of the CSM recognized in profit or loss for the services provided in the period; and
  - 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.
- 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 profit or 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 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 FCF 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.

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 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:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- changes that relate to past service (i.e., changes in the FCF 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).

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) Transition approach

The Company has adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach was applied to the insurance contracts in force at the transition date that were originated less than one year prior to the transition date. The fair value approach was applied to insurance contracts that were originated more than one year prior to transition.

The transition approach was determined at a group of insurance contracts level and affected the approach to calculating the CSM on initial adoption of IFRS 17:

- full retrospective approach - the CSM at inception is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied;
- fair value approach - the pre-transition FCF and experience are not considered.

i. Full retrospective approach

The Company has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within one year prior to the transition.

Accordingly, the Company has recognized and measured each group of insurance contracts in this category as if IFRS17 had always applied; derecognized any existing balances that would not exist had IFRS17 always applied; and recognized any resulting net difference in equity.

ii. Fair value approach

After making reasonable efforts to gather necessary historical information, the Company has determined that for some groups of insurance contracts issued and reinsurance contracts held, it was not practicable to obtain that information. It was therefore impracticable to apply the full retrospective approach, and the fair value approach has been used for these groups. The Company applied significant judgement in determining the transition amounts under this approach.

The Company applied the fair value approach to contracts that were originated more than one year prior to transition.

Applying the fair value approach, the Company determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, Fair Value Measurement (“IFRS 13”), and its adjusted FCF at the transition date. The Company did not apply the deposit floor when measuring insurance contracts when using the fair value approach on transition.

The fair value of an insurance liability is the price a market participant would be willing to pay to assume the obligation and the remaining risks of the in force contracts as at the transition date. Where available, recent market transactions were used to estimate the fair value of groups of contracts. Absent recent market transactions of similar contracts, a present value technique was used to value groups of contracts.

In estimating the fair value of groups of insurance contracts, the following considerations were applied:

- only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation excluding future renewals and new business that would be outside the contract boundary of the contracts under IFRS 17;
- assumptions about expected future cash flows and risk allowances were adjusted for the average market participant's view as required by IFRS 13; and
- profit margins were included to reflect what a market participant would require for accepting obligations under insurance contracts, beyond the risk adjustment for non-financial risk.

The Company used significant judgement to determine adjustments required to reflect market participant's view and considered the following:

- Groups of contracts include contracts issued more than one year apart.
- Aggregation of insurance contracts by expected profitability was assessed as at the transition date. For this assessment, the Company estimated the FCF at the transition date. Further, to aggregate non-onerous insurance contracts issued into groups of contracts that had no significant possibility of becoming onerous subsequently or groups of remaining contracts, the Company assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date. Similarly, to aggregate reinsurance contracts held in a net cost position into groups of contracts for which there is no significant possibility of a net gain arising subsequently or groups of remaining contracts, the Company assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date.

The discount rates at the dates of initial recognition were determined at the transition date as described in note 10.

The adjusted FCF were estimated prospectively as at the transition date.

The CSM was estimated to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 as described above, and its adjusted FCF at the transition date.

The Company uses the Adjusted Fulfillment Cash Flow method for determining the fair value of the Company's insurance contracts on transition.

n) 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, 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 are offset by 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.

Liabilities for account of segregated fund unit holders
These liabilities are measured at fair value reflecting the fair value of the underlying net assets. Segregated fund products provide death and maturity benefit guarantees to the unit holder. The liability for these guarantees is recorded under insurance contract liabilities in accordance with IFRS17.

o) 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 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 1.8 for insurance revenue and Note 1.5 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

The Company has adopted the following new standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2023: IFRS 17 and IFRS 9.

The nature and effects of the key changes in the Company's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarized below.

2.1 Adoption of IFRS 17, Insurance contracts

a) Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company’s estimates of the present value of future cash flows that are expected to arise as the Company fulfills the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses. Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

Under IFRS 17, insurance acquisition cash flows are generally included in the estimates of the present value of future cash flows of insurance contracts.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

For an explanation of how the Company accounts for insurance and reinsurance contracts under IFRS 17, see Note 1 Material Accounting Policies.

b) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at January 1, 2022, the Company:

- identified, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognized and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognized previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts and insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting differences in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the consolidated financial statements at January 1, 2022 are presented in the statement of changes in equity. The impact on the consolidated statement of financial position of transitioning to IFRS 17 at January 1, 2022 was a net decrease of approximately $50 million driven largely from liability impacts.

Fair value approach

The Company applied the fair value approach in IFRS 17 to identify, recognize and measure groups of insurance contracts issued in 2020 or earlier as at January 1, 2022, because it was impracticable to apply the full retrospective approach. The Company considered the full retrospective approach impracticable for contracts in this segment under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
  - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Company's previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.
- The full retrospective approach required assumptions about what management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
  - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts.

2.2 Adoption of IFRS 9, Financial instruments

a) Classification of financial assets and liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification by looking at its inherent cash flow characteristics. If a financial asset does not have cash flows that consist of payments of principal and interest on the principal amount outstanding, the financial asset must be classified at FVTPL.

For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 1 Material Accounting Policies.

IFRS 9 has not had a significant impact on the Company’s accounting policies for financial liabilities.

b) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking expected credit loss model. The new impairment model applies to financial assets measured at amortized cost and FVOCI. Under IFRS 9, credit losses are usually recognized earlier than under IAS

39. This has not had any impact on the Company since assets classified at FVOCI or amortized cost are immaterial.

c) Hedge accounting

The Company does not apply hedge accounting.

d) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- The comparative period has *not* been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2023. Accordingly, the information presented for 2022 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2023 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2023.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

- If an investment in a debt security had low credit risk at January 1, 2023, then the Company determined that the credit risk on the asset had not increased significantly since initial recognition. Debt security means any cash equivalent, short-term security, bond or mortgage.

The adoption of IFRS 9 has not had a material impact on the Company's financial statements as at January 1, 2023.

As permitted by IFRS 7, the Company has not disclosed information about the line item amounts that are reporting in accordance with the classification and measurement requirements of IFRS 9 for 2022 and those that would have been reported in accordance with classification and measurement requirements of IAS 39 for 2023.

e) Effect of initial application

The following table and accompanying notes below show the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2023.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

Classification of financial assets and financial liabilities

	Under IAS 39 Original classification	Under IFRS 9 New classification	Under IAS 39 Original carrying amount	Under IFRS 9 New carrying amount
Financial assets			$	$
Cash, cash equivalents and short-term securities (supporting liabilities)	Loans and receivables	FVTPL	—	—
Cash, cash equivalents and short-term securities (supporting surplus)	Loans and receivables	FVTPL	40,842	40,842
Bonds (supporting liabilities)	FVTPL	FVTPL (designated)	380,629	380,629
Bonds (supporting surplus)	Available for sale	FVTPL (designated)	240,516	240,516
Equities (supporting liabilities)	FVTPL	FVTPL (mandatory)	44,830	44,830
Equities (supporting surplus)	Available for sale	FVTPL (mandatory)	21,902	21,902
Other invested assets (supporting liabilities)	FVTPL	FVTPL (mandatory)	39,046	39,046
Other invested assets (supporting surplus)	Available for sale	FVTPL (mandatory)	37,464	37,464
Accounts receivable	Loans and receivables	Amortized cost	4,736	4,736
Net investment for account of segregated fund holders	FVTPL	FVTPL (mandatory)	13,032	13,032
Total financial assets			822,997	822,997
Financial liabilities				
Investment contract liabilities	Amortized cost	Amortized cost	5,536	5,536
Total financial liabilities			5,536	5,536

Under IAS 39, bonds and other debt securities (cash equivalents, short-term investments, and mortgages) supporting the liability segments were designated at FVTPL to eliminate or reduce an accounting mismatch and those supporting surplus segments were classified as AFS. Under IFRS 9, all bonds and other debt securities are measured at FVTPL.

Under IAS 39, equity securities supporting liabilities were designated at FVTPL to reduce or eliminate accounting mismatches and those supporting surplus segments were classified as AFS. Under IFRS 9, all equity investments (including investments in limited partnerships and other equity-like assets such as mutual funds) are measured at FVTPL.

The Company's accounting policies for financial instruments are set out in Note 1.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2023.

	December 31, 2022		January 1, 2023
	IAS 39	Reclassification	IFRS 9
FVTPL	$	$	$
Bonds	380,629	—	380,629
Equities	44,830	—	44,830
Other Invested Assets	39,046	—	39,046
Reclassified from available for sale & amortized cost	—	340,724	340,724
Total FVTPL	464,505	340,724	805,229
Available for sale			
Bonds	240,516	—	240,516
Equities	21,902		21,902
Other Invested Assets	37,464		37,464
Reclassified to FVTPL	—	(299,882)	(299,882)
Total available for sale	299,882	(299,882)	—
Loans and receivables			
Cash, cash equivalents and short-term securities	40,842	—	40,842
Reclassified to FVTPL	—	(40,842)	(40,842)
Total loans and receivables	40,842	(40,842)	—

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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			
December 31, 2023	**$**	**$**	**$**	**$**	$
Cash, cash equivalents and short-term securities	76,525	—	—	76,525	76,525
Bonds	—	600,016	—	600,016	600,016
Equities	65,006	—	—	65,006	65,006
Other invested assets	62,536	—	—	62,536	62,536
Total financial assets	204,067	600,016	—	804,083	804,083
Investment contract liabilities	—	—	5,507	5,507	5,507
Total financial liabilities	204,067	600,016	5,507	809,590	809,590

	FVTPL	AFS	Loans and receivables	Total carrying value	Total fair value
December 31, 2022	**$**	**$**	**$**	**$**	**$**
Cash, cash equivalents and short-term securities	—	—	40,842	40,842	40,842
Bonds	380,629	240,516	—	621,145	621,145
Equities	44,830	21,902	—	66,732	66,732
Other invested assets	39,046	37,464	—	76,510	76,510
Total invested assets	464,505	299,882	40,842	805,229	805,229
Investment contract liabilities	—	—	5,536	5,536	5,536
Total investments	464,505	299,882	46,378	810,765	810,765

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.

	2023	2022
Financial assets		
Measured at fair value	$ 502,844	$ 617,629

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.

The underlying investments of the Limited Partnerships are valued using discounted cash flow methodologies, direct capitalization methods, comparable private company transactions and the income approach. Significant unobservable inputs include assumed future market conditions, projected income and expense scenarios, discount rates, terminal EBITDA and exit multiples used in the calculations.

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.

For the year ended December 31, 2023 (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
December 31, 2023	**$**	**$**	**$**	**$**
Bonds	—	600,016	—	600,016
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
Total	65,110	640,648	34,973	740,731
December 31, 2022	**$**	**$**	**$**	**$**
Bonds	—	621,145	—	621,145
Equities	57,183	9,549	—	66,732
Other invested assets	—	26,150	50,360	76,510
Net investments for account of segregated fund unit holders	10,549	2,483	—	13,032
Total	67,732	659,327	50,360	777,419

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

	FVTPL		AFS	
	Other invested assets		Other invested assets	
	2023	2022	2023	2022
	$	$	$	$
Balance, beginning of year	25,996	26,953	—	24,133
Reclassification from AFS	24,364	—	—	—
Changes during the year:				
Sales and redemptions	(15,000)	(2,350)	—	—
Net change in unrealized gains/losses	(387)	1,393	—	231
Balance, end of year	34,973	25,996	—	24,364

There were no material transfers between Level 1, 2 and 3 during 2023 or 2022. 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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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

	2023		2022	
	1% increase $	1% decrease $	1% increase $	1% decrease $
FVTPL assets:				
Interest rate	(19)	19	(38)	38
Real estate capitalization rates	(1,930)	3,009	(4,526)	6,757
Global infrastructure index sensitivity	(914)	914	(662)	662

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, 2023 was $59,654 (2022: $50,360).

d) Impairments

There were no investments that were impaired and therefore required an impairment loss provision in 2023 or 2022. During 2023, the Company did not reverse any impairment losses previously taken that were sold during the year (2022: $nil).

e) Net financial result

i) Investment return and insurance finance expenses

	2023 $	2022 $
Investment return		
Interest revenue calculated using the effective interest method	—	6,753
Other investment income	59,383	(112,239)
Total investment return	59,383	(105,486)
Net finance expenses from insurance contracts		
Interest accreted	(29,203)	(24,829)
Effect of changes in interest rates and other financial assumptions	(79,242)	310,137
Total net finance expenses from insurance contracts	(108,445)	285,308
Net finance income from reinsurance contracts held		
Interest accreted	17,201	11,799
Other	56,081	(215,256)
Total net finance income from reinsurance contracts	73,282	(203,457)
Movement in investment contract liabilities	(69)	(71)
Net financial result	24,151	(23,706)

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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:

	2023			2022			
	FVTPL	Other	Total	FVTPL	AFS	Other	Total
	$	$	$	$	$	$	$
Interest income from:							
Cash, cash equivalents and short-term securities	2,078	—	2,078	—	—	318	318
Bonds	22,077	—	22,077	16,494	6,753	—	23,247
Loans to certificate holders	—	766	766	—	—	744	744
	24,155	766	24,921	16,494	6,753	1,062	24,309
Dividend income from:							
Equities	3,569	—	3,569	2,447	1,324	—	3,771
Other invested assets	3,375	—	3,375	1,499	1,993	—	3,492
Less: Investment expenses	(1,149)	—	(1,149)	(2,541)	976	—	(1,565)
Net interest and dividends	29,950	766	30,716	17,899	11,046	1,062	30,007

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

	2023		2022		
	FVTPL	Total	FVTPL	AFS	Total
	$	$	$	$	$
Bonds	(40,662)	(40,662)	(16,507)	(14,347)	(30,854)
Equities	(214)	(214)	383	1,456	1,839
Other invested assets	2,842	2,842	488	—	488
Net realized gains (losses)	(38,034)	(38,034)	(15,636)	(12,891)	(28,527)

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:

	2023	2022
	$	$
Bonds	66,926	(94,010)
Equities	1,786	(13,036)
Other invested assets	(2,011)	(15)
Net change in unrealized gains (losses) on FVTPL investments	66,701	(107,061)

The following table shows the net change in unrealized gains (losses) on AFS invested assets recorded in other comprehensive income for the years ended December 31:

	2023	2022
	$	$
Bonds	—	(25,542)
Equities	—	(8,307)
Other invested assets	—	(368)
Net change in unrealized gains (losses) on AFS investments	—	(34,217)

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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:

	2023 $	2022 $
Cash and short-term securities	249	467
Equities	9,646	9,246
Mutual fund units	6,215	6,033
Other assets net of liabilities	(55)	(27)
Total net assets	16,055	15,719
Less: Segregated fund seed money investment	(2,882)	(2,687)
Net investments for account of segregated fund unit holders	13,173	13,032

b) Changes in segregated funds

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

	2023 $	2022 $
Balance, beginning of year	13,032	15,349
Additions to the account of the unit holders:		
Deposits received from unit holders	175	182
Investment income	398	395
Net realized gains on sale of investments	844	1,286
Net change in unrealized gains on investments	393	—
	1,810	1,863
Deductions to the account of the unit holders:		
Amounts withdrawn or transferred by unit holders	1,005	1,556
Management fees and other operating costs	469	467
Net change in unrealized losses on investments	—	2,168
	1,474	4,191
Less: (Gain) Loss on segregated fund seed money investment	(195)	11
Balance, end of year	13,173	13,032

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. 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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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:

	2023	2022
	$	$
Net carrying value, beginning of year	466	842
Additions	27	60
Depreciation expense	(414)	(436)
Net carrying value, end of year	79	466

6. EMPLOYEE BENEFIT PLANS

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% (2022: 5.3%).

Accrued post-retirement benefits obligations are $262 (2022: $265). Benefit costs included in general expenses were $13 (2022: $13). Actuarial gains (losses) recorded through OCI net of taxes were $(1) (2022: $191).

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7. INTANGIBLE ASSETS

Reconciliation of carrying amount

	Finite useful life - Software	
	2023	2022
	$	$
Net carrying value, beginning of year	7,474	5,101
Additions - internally developed	3,750	3,328
Amortization	(2,064)	(955)
Net carrying value, end of year	9,160	7,474

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 in place to manage these risks, such as the enterprise-wide Risk Management Policy, Change Management Policy, Investment Policy, Dividend Policy, Product Pricing Policy, Reinsurance Risk Management Policy and Capital Management Policy, all of which are annually approved by the Board. 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 from events that have the potential to impair its financial strength.

The Company's Risk Management Policy sets out the standards of practice related to the governance, identification, measurement, monitoring, control and mitigation 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 internal and regulatory capital requirements, liquidity and earnings sensitivities.

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.

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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 an increase in net liabilities for insurance contracts. 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:

	2023	2022 (Adjusted)
	$	$
Short-term securities	5,512	6,931
Bonds	600,016	621,145
Other invested assets	62,536	76,510
Accrued investment income	4,461	4,357
Reinsurance contract held assets	705,555	608,927
Accounts receivable and other assets	2,435	4,917
Maximum exposure to credit risk	1,380,515	1,322,787

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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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

	2023		2022		
	FVTPL	Total	FVTPL	AFS	Total
	$	$	$	$	$
Bonds issued or guaranteed by:					
Canadian federal government	170,866	170,866	18,334	75,725	94,059
Canadian provincial and municipal government	126,570	126,570	109,141	68,547	177,688
Total government bonds	297,436	297,436	127,475	144,272	271,747
Corporate bonds by Industry sector:					
Financials	158,339	158,339	59,729	66,272	126,001
Utilities and energy	71,273	71,273	85,280	12,444	97,724
Industrials	23,819	23,819	37,106	3,586	40,692
Communications	26,770	26,770	21,814	10,158	31,972
Other	16,205	16,205	29,191	—	29,191
Consumer staples	3,449	3,449	15,809	2,198	18,007
Consumer	2,725	2,725	4,225	1,586	5,811
Total corporate bonds	302,580	302,580	253,154	96,244	349,398
	600,016	600,016	380,629	240,516	621,145

The credit rating of the bond portfolio was as follows:

	2023		2022	
Bond quality	$	%	$	%
Investment grade:				
AAA	187,373	31.2	107,512	17.3
AA	128,404	21.4	171,964	27.7
A	175,440	29.2	224,448	36.1
BBB	107,171	17.9	115,606	18.6
BB and below	1,628	0.3	1,615	0.3
Total bonds	600,016	100.0	621,145	100.0

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.

iii) Impairments (2022 only)

An allowance for losses on AFS bonds and loans and receivables is established when an asset becomes impaired as a result of deterioration in credit quality, to the extent there is no longer assurance of timely realization of the carrying value of the asset and related investment income. The carrying value of an impaired asset is reduced to its estimated net realizable value at the time of recognition of impairment.

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 $38,628 (2022: $35,704) and $27,535 (2022: $39,070) 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 $31,074 (2022: $28,110) and $23,655 (2022: $32,799) correspondingly.

For Surplus, a 1.0% reduction in interest rates would result in an increase in financial instruments of approximately $11,993 (2022: $16,811), while a 1.0% increase in interest rates would decrease financial instruments by approximately $10,591 (2022: 14,866)

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 $3 (2022: $—) and $643 (2022: $601) respectively. A 10.0% decrease in equity markets would be expected to decrease insurance contract liabilities and financial instruments correspondingly by approximately $3 (2022: $—) and $643 (2022: $601). Financial instruments for surplus would increase by $50 (2022: $48) with an 10.0% improvement in equity markets, while a decrease of $50 (2022: $48) is expected with a decline of 10.0% in equity markets.

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.

<u>Mortality risk -</u> 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.

<u>Lapse risk</u> – 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.

<u>Expense risk</u> – 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 polices 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.

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 d. 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.

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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

2023	Change in CSM Gross $	Change in CSM Net $	Change in net income (loss) Gross $	Change in net income (loss) Net $	Change in surplus Gross $	Change in surplus Net $
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)

2022	Change in CSM Gross $	Change in CSM Net $	Change in net income (loss) Gross $	Change in net income (loss) Net $	Change in surplus Gross $	Change in surplus Net $
Mortality rates adversely impacted by 1% increase	(5,493)	(179)	(10,888)	(1,160)	(10,888)	(1,160)
Mortality rates adversely impacted by 1% decrease	(130)	(156)	—	—	—	—
Mortality rates favourably impacted by 1% increase	130	189	—	—	—	—
Mortality rates favourably impacted by 1% decrease	5,721	295	10,779	1,054	10,779	1,054
Morbidity rates (1% unfavourable)	—	—	—	—	—	—
Morbidity rates (1% favourable)	—	—	—	—	—	—
Lapse rates (10% favourable)	58,949	5,613	7,832	3,831	7,832	3,831
Lapse rates (10% unfavourable)	(17,177)	(73)	(43,645)	(7,379)	(43,645)	(7,379)
Operating expenses (10% favourable)	5,747	2,373	8,598	1,823	8,598	1,823
Operating expenses (10% unfavourable)	(5,304)	(1,643)	(8,944)	(2,365)	(8,944)	(2,365)

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

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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 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 it's 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:

	2023	2022
Allowable liquid assets	$ 662,323	$ 639,345
Risk-adjusted liquidity of liabilities	164,339	144,278
Liquidity ratio	403.02 %	443.13 %

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 are expected to occur:

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

	Estimates of present value of future cash flows						
December 31, 2023	**1 year or less**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Insurance contracts							
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)
December 31, 2022							
Insurance contracts							
Insurance contract liabilities	(41,008)	(35,947)	(24,827)	(15,840)	(8,672)	1,250,005	1,123,711
Reinsurance contracts held	(2,276)	(4,319)	(4,295)	(3,715)	(4,743)	(524,209)	(543,557)

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

	Carrying amount	
	2023	**2022**
Insurance contracts - excluding segregated fund net assets	673,352	697,203
Insurance contracts - segregated fund net assets	13,173	13,032

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

2023	**On demand or within 1 year or less** $	**1-2 years** $	**3-4 years** $	**4-5 years** $	**More than 5 years** $	**Total** $	**Carrying amount** $
Investment contract liabilities	5,507	—	—	—	—	5,507	5,507
Total	5,507	—	—	—	—	5,507	5,507

2022	**On demand or within 1 year or less** $	**1-2 years** $	**3-4 years** $	**4-5 years** $	**More than 5 years** $	**Total** $	**Carrying amount** $
Investment contract liabilities	5,536	—	—	—	—	5,536	5,536
Total	5,536	—	—	—	—	5,536	5,536

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.

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 the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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:

	2023 $	2022 $
Related party payables	12,682	10,477
Accounts payable and accrued expenses	775	1,613
	13,457	12,090

The carrying value of these liabilities approximates their fair value. Within 12 months from the reporting date, $13,457 (2022: $12,090) will be realized. Included in Related party payables is $7,819 (2022: $6,912) owing to Foresters Financial (note 16).

10. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

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

	2023 $	2022 (Adjusted) $
Insurance contracts issued		
Insurance contract liabilities	1,265,183	1,136,743
Insurance contract assets	—	—
	1,265,183	1,136,743
Reinsurance contracts held		
Reinsurance contract assets	705,555	608,927
Reinsurance contract liabilities	(2)	(65,370)
	705,553	543,557

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 maximum exposure to credit risk from these assets.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

a) Direct insurance

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

	2023				2022 (Adjusted)			
	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
Beginning of Period								
Opening balance insurance contract liabilities	930,785	99,322	93,604	1,123,711	1,273,178	40,107	84,188	1,397,473
Net opening insurance contract balances	930,785	99,322	93,604	1,123,711	1,273,178	40,107	84,188	1,397,473
Changes in the consolidated statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(186,176)	—	—	(186,176)	(187,524)	—	—	(187,524)
Other contracts	(36,765)	—	—	(36,765)	(18,683)	—	—	(18,683)
Insurance revenue	(222,941)	—	—	(222,941)	(206,207)	—	—	(206,207)
Incurred claims and other insurance service expenses	—	(4,315)	177,983	173,668	—	(920)	161,727	160,807
Amortization of insurance acquisition cash flows	18,614	—	—	18,614	9,243	—	—	9,243
Losses and reversal of losses on onerous contracts	—	60,720	—	60,720	—	60,306	—	60,306
Adjustments to liabilities for incurred claims	—	—	(610)	(610)	—	—	(1,088)	(1,088)
Insurance service expenses	18,614	56,405	177,373	252,392	9,243	59,386	160,639	229,268
Investment components	(50,753)	—	50,753	—	(46,505)	—	46,505	—
Insurance service result	(255,080)	56,405	228,126	29,451	(243,469)	59,386	207,144	23,061
Net finance (income) expenses from insurance contracts	107,323	994	128	108,445	(284,934)	(171)	(203)	(285,308)
Total changes in the consolidated statement of comprehensive income (loss) and OCI	(147,757)	57,399	228,254	137,896	(528,403)	59,215	206,941	(262,247)
Cash flows								
Premiums received	287,207	—	—	287,207	279,488	—	—	279,488
Claims, benefits and other expenses paid	—	—	(225,688)	(225,688)	—	—	(197,525)	(197,525)
Insurance acquisition cash flows	(71,116)	—	—	(71,116)	(93,478)	—	—	(93,478)
Total cash flows	216,091	—	(225,688)	(9,597)	186,010	—	(197,525)	(11,515)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—
Net ending insurance contract balances	999,119	156,721	96,170	1,252,010	930,785	99,322	93,604	1,123,711
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	999,119	156,721	96,170	1,252,010	930,785	99,322	93,604	1,123,711
Net ending insurance contract balances	999,119	156,721	96,170	1,252,010	930,785	99,322	93,604	1,123,711

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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

	2023				2022 (Adjusted)			
	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
Beginning of Period								
Opening balance insurance contract assets	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities - Segregated funds guarantees	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities - Segregated funds net liabilities	13,032	—	—	13,032	15,349	—	—	15,349
Net opening insurance contract balances	13,032	—	—	13,032	15,349	—	—	15,349
Changes in the consolidated statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	—	—	—	—	—	—	—	—
Other contracts	—	—	—	—	—	—	—	—
Insurance revenue	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—
Insurance service expenses	—	—	—	—	—	—	—	—
Investment components	—	—	—	—	—	—	—	—
Insurance service result	—	—	—	—	—	—	—	—
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	—	—	—	—	—
Total changes in the consolidated statement of comprehensive income (loss) and OCI	—	—	—	—	—	—	—	—
Cash flows								
Premiums received	—	—	—	—	—	—	—	—
Claims, benefits and other expenses paid	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	—	—	—	—	—	—	—	—
Other changes in the net carrying amount of the insurance contract liabilities	141	—	—	141	(2,317)	—	—	(2,317)
Ending insurance contract liabilities balances	13,173	—	—	13,173	13,032	—	—	13,032
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds guarantees	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds net liabilities	13,173	—	—	13,173	13,032	—	—	13,032
Ending insurance contract liabilities balances	13,173	—	—	13,173	13,032	—	—	13,032

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

iii. Analysis by measurement component - Non segregated funds

	2023					2022 (Adjusted)				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	Contracts under FV approach	Other contracts	Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	Contracts under FV approach	Other contracts	Total
Beginning of Period										
Opening balance insurance contract assets	—	—	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities	608,361	389,662	120,670	5,018	1,123,711	770,608	473,887	148,625	4,353	1,397,473
Net opening insurance contract balances	608,361	389,662	120,670	5,018	1,123,711	770,608	473,887	148,625	4,353	1,397,473
Changes in the consolidated statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(11,604)	(352)	(11,956)	—	—	(13,091)	(307)	(13,398)
Change in the risk adjustment for non-financial risk for risk expired	—	(29,672)	—	—	(29,672)	—	(28,254)	—	—	(28,254)
Experience adjustments and other changes	10,969	—	—	—	10,969	5,493	1	—	—	5,494
Current service provided in the period	10,969	(29,672)	(11,604)	(352)	(30,659)	5,493	(28,253)	(13,091)	(307)	(36,158)
Contracts initially recognized in the year	(15,411)	32,942	—	3,686	21,217	(20,184)	44,503	—	4,778	29,097
Changes in estimates that adjust the CSM	15,290	(7,348)	(3,519)	(4,423)	—	40,246	(18,659)	(17,650)	(3,936)	1
Changes in estimates that results in losses and reversals of losses on onerous contracts	59,726	(20,223)	—	—	39,503	31,782	(573)	—	—	31,209
Future service yet to be provided	59,605	5,371	(3,519)	(737)	60,720	51,844	25,271	(17,650)	842	60,307
Adjustments to liabilities for incurred claims	(189)	(1)	—	—	(190)	(543)	7	—	—	(536)
Experience adjustments not related to incurred claims	(378)	(42)	—	—	(420)	(490)	(62)	—	—	(552)
Past service provided in the prior periods	(567)	(43)	—	—	(610)	(1,033)	(55)	—	—	(1,088)
Insurance service result	70,007	(24,344)	(15,123)	(1,089)	29,451	56,304	(3,037)	(30,741)	535	23,061
Net finance (income) expenses from insurance contracts	62,968	42,500	2,718	259	108,445	(207,036)	(81,188)	2,786	130	(285,308)
Effect of movements in exchange rates	—	—	—	—	—	—	—	—	—	—
Total changes in the consolidated statement of comprehensive income (loss) and OCI	132,975	18,156	(12,405)	(830)	137,896	(150,732)	(84,225)	(27,955)	665	(262,247)
Cash flows										
Premiums received	287,206	—	—	—	287,206	279,488	—	—	—	279,488
Claims, benefits and other expenses paid	(225,687)	—	—	—	(225,687)	(197,525)	—	—	—	(197,525)
Insurance acquisition cash flows	(71,116)	—	—	—	(71,116)	(93,478)	—	—	—	(93,478)
Total cash flows	(9,597)	—	—	—	(9,597)	(11,515)	—	—	—	(11,515)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—	—	—
Net ending insurance contract balances	731,739	407,818	108,265	4,188	1,252,010	608,361	389,662	120,670	5,018	1,123,711
End of Period										
Ending balance insurance contract assets	—	—	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	731,739	407,818	108,265	4,188	1,252,010	608,361	389,662	120,670	5,018	1,123,711
Net ending insurance contract balances	731,739	407,818	108,265	4,188	1,252,010	608,361	389,662	120,670	5,018	1,123,711

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

iiii. Analysis by measurement component - Segregated funds

	2023					2022 (Adjusted)				
	Estimates of present value of future cashflows	Risk adjustment for non-financial	Contracts under FV approach	Other contracts	Total	Estimates of present value of future cashflows	Risk adjustment for non-financial	Contracts under FV approach	Other contracts	Total
Beginning of Period										
Opening balance insurance contract liabilities - Segregated funds net liabilities	13,032	—	—	—	13,032	15,349	—	—	—	15,349
Net opening insurance contract balances	13,032	—	—	—	13,032	15,349	—	—	—	15,349
Changes in the consolidated statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	—	—	—	—	—	—	—	—
Change in the risk adjustment for non-financial risk for risk expired	—	—	—	—	—	—	—	—	—	—
Experience adjustments and other changes	—	—	—	—	—	—	—	—	—	—
Current service provided in the period	—	—	—	—	—	—	—	—	—	—
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	—	—	—	—	—	—	—	—	—	—
Future service yet to be provided	—	—	—	—	—	—	—	—	—	—
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Insurance service result	—	—	—	—	—	—	—	—	—	—
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—	—	—
Total changes in the consolidated statement of comprehensive income (loss) and OCI	—	—	—	—	—	—	—	—	—	—
Cash flows										
Premiums received	—	—	—	—	—	—	—	—	—	—
Claims, benefits and other expenses paid	—	—	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	—	—	—	—	—	—	—	—	—	—
Other changes in the net carrying amount of the insurance contract liabilities	141	—	—	—	141	(2,317)	—	—	—	(2,317)
Ending insurance contract liabilities balances	13,173	—	—	—	13,173	13,032	—	—	—	13,032
End of Period										
Ending balance insurance contract liabilities - Segregated funds guarantees	—	—	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds net liabilities	13,173	—	—	—	13,173	13,032	—	—	—	13,032
Ending insurance contract liabilities balances	13,173	—	—	—	13,173	13,032	—	—	—	13,032

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

b) Reinsurance

i. Analysis by remaining coverage and incurred claims

	2023				2022 (Adjusted)			
	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
Beginning of Period								
Opening balance reinsurance contract held assets	559,698	29,140	20,089	608,927	722,782	15,635	16,355	754,772
Opening balance reinsurance contract held liabilities	(73,121)	27,182	(19,431)	(65,370)	(93,824)	—	(24,813)	(118,637)
Net opening reinsurance contract held balances	486,577	56,322	658	543,557	628,958	15,635	(8,458)	636,135
Changes in the consolidated statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(144,069)	—	—	(144,069)	(139,644)	—	—	(139,644)
Other contracts	(1,429)	—	—	(1,429)	175	—	—	175
Allocation of reinsurance premiums paid	(145,498)	—	—	(145,498)	(139,469)	—	—	(139,469)
Incurred claims recovered and other reinsurance service expenses	—	(3,611)	130,915	127,304	—	(1,656)	124,233	122,577
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	45,172	—	45,172	—	41,575	—	41,575
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
Amounts recoverable from reinsurers	—	41,561	130,915	172,476	—	39,919	124,233	164,152
Investment components	(8,765)	—	8,765	—	(3,243)	—	3,243	—
Net expenses from reinsurance contracts held	(154,263)	41,561	139,680	26,978	(142,712)	39,919	127,476	24,683
Net finance (income) expenses from reinsurance contracts held	71,141	2,141	—	73,282	(204,225)	768	—	(203,457)
Effects of movements in exchange rates	—	—	—	—	—	—	—	—
Total changes in the consolidated statement of comprehensive income (loss) and OCI	(83,122)	43,702	139,680	100,260	(346,937)	40,687	127,476	(178,774)
Cash flows								
Premiums paid	192,682	—	—	192,682	204,556	—	—	204,556
Amounts received	—	—	(130,946)	(130,946)	—	—	(118,360)	(118,360)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	192,682	—	(130,946)	61,736	204,556	—	(118,360)	86,196
Other changes in the net carrying amount of the reinsurance contract held	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	596,137	100,024	9,392	705,553	486,577	56,322	658	543,557
End of Period								
Ending balance reinsurance contract held assets	596,139	100,024	9,392	705,555	559,698	29,140	20,089	608,927
Ending balance reinsurance contract held liabilities	(2)	—	—	(2)	(73,121)	27,182	(19,431)	(65,370)
Net ending reinsurance contract held balances	596,137	100,024	9,392	705,553	486,577	56,322	658	543,557

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ii. Analysis by measurement component

	2023					2022 (Adjusted)				
	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			Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
Beginning of Period										
Opening balance reinsurance contract held assets	351,084	223,673	63,269	(29,099)	608,927	432,596	279,328	58,946	(16,098)	754,772
Opening balance reinsurance contract held liabilities	(181,004)	115,695	(61)	—	(65,370)	(301,043)	155,173	27,233	—	(118,637)
Net opening reinsurance contract held balances	170,080	339,368	63,208	(29,099)	543,557	131,553	434,501	86,179	(16,098)	636,135
Changes in the consolidated statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(4,906)	2,940	(1,966)	—	—	(5,535)	2,080	(3,455)
Change in the risk adjustment for non-financial risk for risk expired	—	(22,153)	—	—	(22,153)	—	(21,517)	—	—	(21,517)
Experience adjustments and other changes	5,923	—	—	—	5,923	8,078	1	—	—	8,079
Current service provided in the period	5,923	(22,153)	(4,906)	2,940	(18,196)	8,078	(21,516)	(5,535)	2,080	(16,893)
Contracts initially recognized in the year	3,149	12,817	—	(3,723)	12,243	12,721	16,612	—	(13,336)	15,997
Changes in estimates that adjust the CSM	5,225	(7,161)	1,726	210	—	28,168	(11,446)	(17,224)	502	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	51,028	(16,473)	—	—	34,555	31,928	(4,398)	—	—	27,530
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(196)	(1,428)	(1,624)	—	—	(214)	(1,737)	(1,951)
Future service yet to be provided	59,402	(10,817)	1,530	(4,941)	45,174	72,817	768	(17,438)	(14,571)	41,576
Changes to assets for incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts held	65,325	(32,970)	(3,376)	(2,001)	26,978	80,895	(20,748)	(22,973)	(12,491)	24,683
Net finance (income) expenses from reinsurance contracts held	37,448	36,955	(103)	(1,018)	73,282	(128,564)	(74,385)	2	(510)	(203,457)
Total changes in the consolidated statement of comprehensive income (loss) and OCI	102,773	3,985	(3,479)	(3,019)	100,260	(47,669)	(95,133)	(22,971)	(13,001)	(178,774)
Cash flows										
Premiums paid	192,681	—	—	—	192,681	204,556	—	—	—	204,556
Amounts received	(130,945)	—	—	—	(130,945)	(118,360)	—	—	—	(118,360)
Total cash flows	61,736	—	—	—	61,736	86,196	—	—	—	86,196
Net ending reinsurance contract held balances	334,589	343,353	59,729	(32,118)	705,553	170,080	339,368	63,208	(29,099)	543,557
End of Period										
Ending 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
Ending balance reinsurance contract held liabilities	—	—	(2)	—	(2)	(181,004)	115,695	(61)	—	(65,370)
Net ending reinsurance contract held balances	334,589	343,353	59,729	(32,118)	705,553	170,080	339,368	63,208	(29,099)	543,557

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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.

i. Insurance contracts issued

	2023			2022 (Adjusted)		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	11,722	71,087	82,809	19,303	87,593	106,896
Claims and other insurance service expenses payable	22,878	155,586	178,464	37,719	232,765	270,484
Estimates of present value of cash outflows	34,600	226,673	261,273	57,022	320,358	377,380
Estimates of present value of cash inflows	(42,022)	(234,662)	(276,684)	(67,555)	(330,008)	(397,563)
Risk adjustment for non-financial risk	3,736	29,206	32,942	5,755	38,748	44,503
CSM	3,686	—	3,686	4,778	—	4,778
Losses recognized on initial recognition	—	21,217	21,217	—	29,098	29,098

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ii. Reinsurance contracts held

	2023			2022 (Adjusted)		
	Contracts initiated without a loss recovery component	Contracts initiated with loss recovery component	Total	Contracts initiated without a loss recovery component	Contracts initiated with loss recovery component	Total
Estimates of present value of cash inflows	6,148	65,700	71,848	10,913	93,361	104,274
Estimates of present value of cash outflows	(5,908)	(69,088)	(74,996)	(11,541)	(105,452)	(116,993)
Risk adjustment for non-financial risk	(904)	(11,913)	(12,817)	(1,467)	(15,145)	(16,612)
Loss recovery related to losses on underlying insurance contracts at initial recognition	—	12,242	12,242	—	15,995	15,995
Contractual Service Margin	(664)	(3,059)	(3,723)	(2,095)	(11,241)	(13,336)

For the year ended December 31, 2023 (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
2023						
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)
2022 (Adjusted)						
Insurance contracts	12,225	11,011	27,215	30,942	44,295	125,688
	12,225	11,011	27,215	30,942	44,295	125,688
Reinsurance contracts held	(2,350)	(2,084)	(5,516)	(7,552)	(16,608)	(34,110)
	(2,350)	(2,084)	(5,516)	(7,552)	(16,608)	(34,110)

a) Nature and composition of insurance contract liabilties 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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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

December 31, 2023

	Cash and short-term securities	Bonds	Stocks	Preferred shares	Other invested assets *	Reinsurance contract held assets	Other	Total
	$	$	$	$	$	$	$	$
Insurance	—	425,905	10,814	32,574	23,227	705,555	22,996	1,221,071
Surplus	76,525	174,111	—	21,618	39,309	—	24,883	336,446
	76,525	600,016	10,814	54,192	62,536	705,555	47,879	1,557,517

December 31, 2022

	Cash and short-term securities	Bonds	Stocks	Preferred shares	Other invested assets *	Reinsurance contract held assets	Other	Total
	$	$	$	$	$	$	$	$
Insurance	—	380,629	9,549	35,281	39,046	608,927	22,172	1,095,604
Surplus	40,842	240,516	—	21,902	37,464	0	30,581	371,305
	40,842	621,145	9,549	57,183	76,510	608,927	52,753	1,466,909

*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 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, 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. Annual 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 the key assumption 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.

For the year ended December 31, 2023 (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
2023				
CPP 4000 & 8000 Series				
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
CPP 6000 Series				
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
CPP 7000 Series				
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
CPP 7000 Series Pre Oct 2022				
Deferred Elite Term/Life	Experience Study	CIA 97-04 ANB	% Ranges from 130% to 210% for all Issue Ages.	N/A
Other FLIC Products				
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

For the year ended December 31, 2023 (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

For the year ended December 31, 2023 (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
2022				
CPP 4000 & 8000 Series				
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 323% for all Issue Ages.	N/A
CPP 6000 Series				
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
CPP 7000 Series				
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
CPP 7000 Series Pre Oct 2022				
Deferred Elite Term/Life	Experience Study	CPP 7000 Series Pre Oct 2022	% Ranges from 130% to 210% for all Issue Ages.	N/A
Other FLIC Products				
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

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

Metropolitan Life	Experience Study	CIA 8692 ALB	60% of Aggregate Table	N/A
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

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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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

	2022 and 2023				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
CPP All series					
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%
CPP CI					
T75	14%-18%	4%	3%	3%	3%
T20	9% -19%	4%-5%	4%	4%	4%
*** renewal lapse rates not included**					

	2022 and 2023				
	1 year	5 years	10 years	15 years	20 years
Renewable & Convertible Term					
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%
Deferred Term					
T10	10%	5%	3%	—%	—%
T20	10%	4%	2%	2%	2%
T100	10%	4%	2%	2%	—%
*** renewal lapse rates not included**					
Renewable & Convertible Term					
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 groups 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 2023. 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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

ii) Discount rates

All cash flows are discounted 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 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	2023				
	1 year	**5-year**	**10-year**	**15 years**	**20 years**
Product [Low]					
CAD	5.23 %	4.26 %	4.52 %	4.59 %	4.67 %
	2022 (Adjusted)				
	1 year	**5-year**	**10-year**	**15 years**	**20 years**
Product [Low]					
CAD	5.35 %	4.75 %	4.85 %	4.95 %	5.07 %

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 %
	2022 (Restated)				
	1 year	**5-year**	**10-year**	**15 years**	**20 years**
Product [Medium]					
CAD	5.10 %	4.50 %	4.60 %	4.70 %	4.82 %

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.

For the year ended December 31, 2023 (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	2023				
	1 year	**5-year**	**10-year**	**15 years**	**20 years**
Product [Par]					
CAD	7.12 %	4.56 %	4.63 %	4.52 %	4.73 %
	2022 (Restated)				
	1 year	**5-year**	**10-year**	**15 years**	**20 years**
Product [Par]					
CAD	4.90 %	4.87 %	4.86 %	4.67 %	4.66 %

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 2023, the confidence level for the risk adjustment is 78.2%. For the year ended 2022, the confidence level for the risk adjustment was 75.1%.

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 provided and its expected coverage duration. The coverage units are reviewed and updated each reporting date.

Type of Product	Quantity of Benefits Provided
Term life	Contractual maximum benefit
Participating Whole Life	Net amount at risk
Non-Participating Whole Life	Contractual maximum benefit
Universal Life	Net amount at risk
Payout Annuities	Gross periodic benefit payment
Deferred Annuities	Gross periodic benefit payment
Accident and Sickness Coverage	Contractual maximum benefit
Preneed Coverage	Net amount at risk

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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

i) 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.

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

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:

	2023	2022 (Adjusted)
	$	$
Balance, beginning of year	5,536	5,665
Deposits received	3	10
Surrenders and withdrawals	(101)	(100)
Interest credited and others	69	(39)
Balance, end of year	5,507	5,536

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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:

	2023 $	2022 $
50,000,000 common shares, no par value	50,000	50,000

Foresters Financial contributed $20,000 in 2023 (2022: $50,000) to the Company in the form of contributed surplus.

The Company paid a dividend of $nil (2022: $nil) to Foresters Financial during the year.

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. OSFI has updated the LICAT 2023 capital guidance to reflect the adoption of IFRS 17 by life insurers.

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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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

		2023		2022
Available capital (A+B)		$ 340,752		$ 280,805
Tier 1 Capital	A	246,373		213,975
Tier 2 Capital	B	94,379		66,830
Surplus allowance and eligible deposits	C	64,465		67,182
Base solvency buffer	D	205,400		229,137
Total ratio (%)				
([A+B+C] / D) x 100		197.28 %		151.87 %

The LICAT ratio has not been restated for 2022 as IFRS 17 and 9 were not the accounting standards in effect and therefore were not applicable to our capital management practices at the time.

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.

13. FEE REVENUE AND OTHER OPERATING INCOME

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

	2023 $	2022 $
Management fees on segregated fund assets	139	149
Other operating income	1,508	1,498
Total fee revenue and other operating income	1,647	1,647

Other operating income included $1,500 of earn-out income (2022: $1,500) from achieving a revenue target as part of the sale of Foresters Asset Management Inc. ("FAM") in 2019.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

14. EXPENSES

A breakdown of expenses by nature is provided below:

	2023 $	2022 (Adjusted) $
Claims and Benefits	145,321	135,312
Salaries, Wages and Allowances	386	720
Professional and Other Fees	6,737	8,688
Management Fees	39,576	34,024
Service Fees	12,466	14,218
Commissions	48,985	67,963
Losses and Reversals of Losses on Onerous Contracts	60,720	60,306
Amortization of Property & Equipment	414	436
Amortization of Intangible Assets	2,064	955
Subtotal	316,669	322,622
Amounts attributed to insurance acquisition cash flows	(71,116)	(93,478)
Amortization of insurance acquisition cash flows	18,614	9,243
Total	**264,167**	**238,387**
Represented by:		
Insurance service expenses	252,392	229,268
Other operating expenses	11,775	9,119
Total operating expenses	**264,167**	**238,387**

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:

	2023 $	2022 (Adjusted) $
Current income tax expense:	3,506	7,557
Deferred income tax expense:		
Relating to the origination and reversal of temporary differences	(703)	(17,234)
Change in unrecognized deductible temporary differences	2,913	1,130
Adjustments for prior periods	(509)	(3,327)
	1,701	(19,431)
Total income taxes	5,207	(11,874)

Cash taxes paid in 2023 were $3,997 (2022: $1,286). Cash taxes received in 2023 were $2,576 including interest of $16 (2022: $25,781 including interest of $26).

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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:

	2023 $	2022 $
Income tax recovery (expense) on net change in unrealized gains (losses) on available-for-sale assets	—	12,344
Income tax recovery (expense) on the reclassification of realized gains (losses) on available-for-sale assets	—	(3,378)
Income tax recovery (expense) on net actuarial gains (losses) on employee benefit plans	—	(50)
	—	8,916

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:

	2023		2022	
	$	%	$	%
Total net income (loss) for the year	6,343		(17,682)	
Total income tax expense (recovery)	5,207		(11,874)	
Income (Loss) before income taxes	11,550		(29,556)	
Combined federal and provincial statutory income tax rate for the current year	3,041	26.3	(7,434)	25.2
Amounts not subject to tax	(817)	(7.1)	(1,220)	4.1
Tax rate adjustment for loss carryback	—	—	(37)	0.1
Tax adjustments for prior periods	87	0.8	(4,313)	14.6
Other adjustments related to differences in tax rates	(17)	(0.1)	—	—
Unrecognized deferred taxes	2,913	25.2	1,130	(3.8)
Effective tax rate	5,207	45.1	(11,874)	40.2

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.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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

	2023			2022		
	Asset	**Liability**	**Net**	**Asset**	**Liability**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
Bonds	—	(63)	(63)	—	(91)	(91)
Property and equipment	—	(1,288)	(1,288)	—	(887)	(887)
Other invested assets	—	(86)	(86)	—	(413)	(413)
Employee benefit obligations	69	—	69	79	—	79
CSM	22,035	—	22,035	24,106	0	24,106
Insurance contract liabilities	—	(4,478)	(4,478)	—	(5,650)	(5,650)
Other liabilities	10	—	10	395	—	395
Tax loss carryforward	15,207	—	15,207	15,567	—	15,567
Recognized deferred tax assets	37,321	(5,915)	31,406	40,147	(7,041)	33,106

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

	2023	2022
	$	**$**
Beginning of year	33,106	13,725
Origination and reversal of temporary differences	(2,223)	14,612
Change in unrecognized deductible temporary differences	549	—
Adjustments for prior periods	(26)	4,819
Credits (charges) included in OCI	—	(50)
End of year	31,406	33,106

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 5,419 (2022: $4,449) 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 $11,125 (2022: $9,183) 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 2043.

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

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 2023 was $26,676 (2022: $19,476) 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:

	2023 $	2022 $
Salaries and other short-term employee benefits	2,182	2,523
Post-employment benefits	186	170
Other long-term benefits	772	455
Termination benefits	268	558
Total compensation of key management personnel	3,408	3,706

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 2023, the Company recorded a pre-tax gain of $45,472 (2022: pre-tax loss of $93,979), which includes net expenses from reinsurance contracts of $11,465 (2022: $16,184) (note 10) and insurance finance income (expense) from reinsurance contracts of $34,007 (2022: $(110,163)).

At December 31, 2023, the net amount owing to Foresters Financial was $4,271 (2022: $3,751), including $7,819 (2022: $6,912) reported in Other Liabilities (note 9).

Other related party transactions

In 2023, Canada Protection Plan Inc. ("CPP"), a wholly owned subsidiary of Foresters Financial, charged the Company $28,510 (2022: $41,261) in commissions, $12,227 (2022: $13,966) for service fees (note 14) and $12,900 (2022: $12,900) in management fees (note 14). At December 31, 2023, the amount owing to (from) CPP was $5,241 (2022: $3,975).

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 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:

For the year ended December 31, 2023 (amounts in thousands of Canadian dollars except where otherwise stated)

- 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					
	2023			2022		
	Dividend-Paying	Non-Dividend-Paying	Total	Dividend-Paying	Non-Dividend-Paying	Total
	$	$	$	$	$	$
Individual Life	—	78,582	78,582	—	82,235	82,235
Total	—	78,582	78,582	—	82,235	82,235

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, 2023 and December 31, 2022.

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.

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, 2023	December 31, 2022
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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