Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Sagicor Financial Company Ltd. (the “**Company**” or “**Sagicor**”)
Cecil F De Caires Building
Wildey, St. Michael
Barbados

1.2 Executive Officer

For further information, please contact:

George Sipsis, Executive Vice President of Corporate Development & Capital Markets
(813) 983-7755

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

On October 3, 2023, Sagicor completed its previously announced transaction whereby Sagicor indirectly acquired ivari (“**ivari**”) pursuant to a definitive agreement (the “**Acquisition Agreement**”) to acquire all the shares of Proj Fox Acquisition Inc. (“**Proj Fox**”), and its wholly owned subsidiaries Wilton Re (Canada) Limited (“**Wilton Canada**”), ivari Holdings ULC (“**ivari Holdings**”), and ivari from Wilton Re Ltd. (“**WRL**”), a subsidiary of the Canada Pension Plan Investment Board (“**CPPIB**”), having satisfied customary conditions, including receiving required regulatory approvals (the “**Acquisition**”).

Headquartered in Toronto, ivari provides individual life and critical illness insurance solutions for the Canadian middle-market, with over 90 years of history in the region. Currently, ivari has approximately 700,000 policyholders across Canada and has approximately 300 employees.

ivari’s principal insurance products are universal life and term life which are distributed through independent advisors directly to individuals. From a geographic perspective, Ontario represents the largest area of business, followed by Alberta, Quebec, British Columbia and other provinces and territories.

2.2 Acquisition Date

October 3, 2023.

2.3 Consideration

The consideration paid in cash at closing was C$375 million (the “**Purchase Price**”), subject to certain adjustments, which was financed by a new US$320 million senior secured term loan facility (the “**Term Loan Facility**”) with a syndicate of international and Canadian banks pursuant to a credit agreement dated October 3, 2023 (the “**Credit Agreement**”).

2.4 Effect on Financial Position

See the unaudited pro forma condensed consolidated financial statements of Sagicor included in Schedule "A" attached to this business acquisition report for information on the pro forma effect of the Acquisition on Sagicor's financial position.

2.5 Prior Valuations

There has been no valuation opinion of Proj Fox obtained within the last 12 months that was required by securities legislation or a Canadian exchange or market to support the consideration paid for the Acquisition.

2.6 Parties to Transaction

The Acquisition was not with an informed person, associate or affiliate (as such terms are defined under applicable securities laws in Canada) of Sagicor.

2.7 Date of Report

December 13, 2023

Item 3 Financial Statements and Other Information

The following financial statements and other information are appended to this business acquisition report:

(a) Attached hereto as Schedule "A" are Sagicor's unaudited *pro forma* condensed consolidated statement of financial position of Sagicor as at September 30, 2023 and statements of income for the nine months ended September 30, 2023 and year ended December 31, 2022;

(b) Attached hereto as Schedule "B" are the audited consolidated financial statements of Proj Fox as at and for the years ended December 31, 2022 and December 31, 2021, together with the report of the auditors thereon; and

(c) Attached hereto as Schedule "C" are the unaudited condensed interim consolidated statements of financial position of Proj Fox as at September 30, 2023, December 31, 2022 (restated) and January 1, 2022 (restated) and statements of income for the nine months ended September 30, 2023 and September 30, 2022.

Schedule A

Unaudited Pro Forma Condensed Consolidated Statement of Financial Position of Sagicor as at September 30, 2023 and Statements of Income for the nine months ended September 30, 2023 and year ended December 31, 2022

Non-IFRS Measures

The Company reports certain non-IFRS measures and insurance industry metrics that are used to evaluate its performance. As non-IFRS measures generally do not have a standardized meaning, they may not be comparable to similar measures presented by other companies. Securities regulators require such measures to be clearly defined and reconciled with their most comparable IFRS measures. These measures are provided as additional information to complement IFRS measures by providing further understanding of the results of the operations of the Company from management's perspective. Accordingly, these measures should not be considered in isolation, nor as a substitute for analysis of the Company's financial information reported under IFRS. Below is an explanation of the composition of the non-IFRS measures used in this document.

Total net Contractual Service Margin ("CSM"): This measure is the balance of the direct CSM net of reinsurance CSM.

Net CSM to shareholders: This measure is the amount of the total net CSM attributable to shareholders.

Sagicor Financial Company Ltd.

Unaudited pro forma condensed consolidated financial statements

As at September 30, 2023 and for the nine months ended September 30, 2023 and for the year ended December 31, 2022

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2023
(in thousands of U.S. dollars)

	Sagicor Financial Company Ltd.	Proj Fox Acquisition Inc. (Adjusted – Note 5)	Pro Forma Adjustments	Notes	Pro Forma Consolidated
ASSETS					
Investment property	76,723	-	-		76,723
Property, plant and equipment	173,927	10,934	-		184,861
Associates and joint ventures	64,605	-	-		64,605
Intangible assets	104,761	14,604	-		119,365
Financial investments	8,675,307	6,480,144	-		15,155,451
Financial investments repledged	625,474	-	-		625,474
Reinsurance contract assets	416,653	2,059,073	468,195	6c)	2,943,921
Insurance contract assets	4,959	-	-		4,959
Income tax assets	128,579	201,942	13,125	6h)	343,646
Miscellaneous assets and receivables	276,301	95,931	(38,233)	6e)	317,715
			(16,284)	6g)	
Cash	388,283	32,716	(273,140)	6b)	443,831
			(20,273)	6f)	
			316,245	6g)	
Restricted cash	95,454		-		95,454
Segregated fund assets	-	465,424	-		465,424
Total assets	**11,031,026**	**9,360,768**	**449,635**		**20,841,429**
LIABILITIES					
Insurance contract liabilities	6,622,349	7,375,060	434,172	6c)	14,431,581
Reinsurance contract liabilities	20,387	-	-		20,387
Investment contract liabilities	465,790	9,558	-		475,348
Notes and loans payable	657,059	-	299,961	6g)	957,020
Lease liabilities	29,794	8,499	-		38,293
Deposit and security liabilities	2,179,550	701,707	46,649	6d)	2,927,906
Other liabilities / retirement benefit liabilities	65,961	13,964	-		79,925
Income tax liabilities	8,840	12,820	-		21,660
Accounts payable and accrued liabilities	219,044	28,130	-		247,174
Insurance contract liabilities for account of segregated fund holders	-	465,424	-		465,424
Total liabilities	**10,268,774**	**8,615,162**	**780,782**		**19,664,718**
EQUITY					
Total shareholders' equity	442,510	745,606	(745,606)	6a)	856,969
			434,732	6c)	
			(20,273)	6f)	
Non-controlling interests	319,742	-	-		319,742
Total equity	**762,252**	**745,606**	**(331,147)**		**1,176,711**
Total liabilities and equity	**11,031,026**	**9,360,768**	**449,635**		**20,841,429**

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the nine months ended September 30, 2023
(in thousands of U.S. dollars, except per share amounts)

	Sagicor Financial Company Ltd.	Proj Fox Acquisition Inc. (Adjusted – Note 5)	Pro Forma Adjustments	Notes	Pro Forma Consolidated
Insurance revenue	513,423	441,171	-		954,594
Insurance service expenses	(419,499)	(373,726)	-		(793,225)
Net expense from reinsurance contracts held	(42,879)	(48,339)	-		(91,218)
INSURANCE SERVICE RESULT	**51,045**	**19,106**	**-**		**70,151**
Gain on derecognition of amortised cost investments	308	-	-		308
Gain / (loss) on derecognition of assets carried at FVTOCI	2,752	-	-		2,752
Interest income earned from financial assets measured at amortised cost and FVTOCI	163,626	180,005	-		343,631
Credit impairment loss	(3,177)	-	-		(3,177)
Other investment income / (loss)	254,836	(90,667)	-		164,169
NET INVESTMENT INCOME	**418,345**	**89,338**	-		**507,683**
Finance income / (expenses) from insurance contracts issued	(151,798)	1,317	-		(150,481)
Finance income / (expenses) from reinsurance contracts held	25,013	(60,506)	-		(35,493)
NET INSURANCE FINANCE EXPENSES	**(126,785)**	**(59,189)**	**-**		**(185,974)**
Investment income for segregated funds	-	18,110	-		**18,110**
Insurance finance expenses for segregated funds	-	(18,110)	-		**(18,110)**
NET SEGREGATED FUNDS INVESTMENT RESULT	**-**	**-**	**-**		**-**
NET INSURANCE AND INVESTMENT RESULT	**342,605**	**49,255**	**-**		**391,860**
Fees and other income	90,686	2,390	-		93,076
Share of income of associates and joint ventures	4,513	-	-		4,513
Other operating expenses	(218,807)	(13,342)	-		(232,149)
Other interest and finance costs	(98,504)	(42,951)	996	6d)	(168,790)
			(28,331)	6g)	
INCOME / (LOSS) BEFORE TAXES	**120,493**	**(4,648)**	**(27,335)**		**88,510**
Income taxes	(39,772)	3,738	(252)	6h)	(36,286)
NET INCOME / (LOSS) FOR THE PERIOD	**80,721**	**(910)**	**(27,587)**		**52,224**
Net income / (loss) is attributable to:					
Common shareholders	46,721	(910)	(27,587)		18,224
Non-controlling interests	34,000	-	-		34,000
	80,721	**(910)**	**(27,587)**		**52,224**
Earnings per common share					
Basic earnings per common share	$0.328			7	$0.128
Fully diluted earnings per common share	$0.324			7	$0.126

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2022
(has not been restated for IFRS 17, in thousands of U.S. dollars, except per share amounts)

	Sagicor Financial Company Ltd.	Proj Fox Acquisition Inc. (Adjusted – Note 5)	Pro Forma Adjustments	Notes	Pro Forma Consolidated
REVENUE					
Premium revenue	2,159,785	760,315	-		2,920,100
Reinsurance premium expense	(111,709)	(316,790)	-		(428,499)
Net premium revenue	2,048,076	443,525	-		2,491,601
Gain on derecognition of amortised cost investments	4,316	-	-		4,316
Gain on derecognition of assets carried at FVOCI	1,187	-	-		1,187
Interest income earned from financial assets measured at amortised cost and FVOCI	432,735	-	-		432,735
Other investment loss	(114,741)	(991,630)	-		(1,106,371)
Credit impairment losses	(6,289)	-	-		(6,289)
Fees and other revenue	174,968	20,395	-		195,363
Total revenue, net	**2,540,252**	**(527,710)**	-		**2,012,542**
BENEFITS					
Policy benefits and change in actuarial liabilities	1,650,112	(787,853)	-		862,259
Policy benefits and change in actuarial liabilities reinsured	(45,972)	(51,992)	-		(97,964)
Net policy benefits and change in actuarial liabilities	1,604,140	(839,845)	-		764,295
Interest costs	62,381	115	-		62,496
Total benefits	**1,666,521**	**(839,730)**	**-**		**826,791**
EXPENSES					
Administrative expenses	392,912	100,920	20,273	6f)	514,105
Commissions and related compensation	137,471	154,597	-		292,068
Premium and asset taxes	17,659	14,852	-		32,511
Finance costs	39,626	59,103	(1,243)	6d)	134,780
			37,294	6g)	
Depreciation and amortization	30,950	-	-		30,950
Total expenses	**618,618**	**329,472**	**56,324**		**1,004,414**
OTHER					
Gain arising on business combinations, acquisitions and divestitures	1,685	-	434,732	6c)	436,417
Share of operating income of associates and joint ventures	6,106	-	-		6,106
Total other income	**7,791**	**-**	**434,732**		**442,523**
INCOME / (LOSS) BEFORE TAXES	**262,904**	**(17,452)**	**378,408**		**623,860**
Income taxes	(93,302)	16,112	(322)	6h)	(77,512)
NET INCOME / (LOSS) FOR THE YEAR	**169,602**	**(1,340)**	**378,086**		**546,348**
Net income / (loss) is attributable to:					
Common shareholders	115,565	(1,340)	378,086		492,311
Participating policyholders	166	-	-		166
Non-controlling interests	53,871	-	-		53,871
	169,602	**(1,340)**	**378,086**		**546,348**
Earnings per common share:					
Basic earnings per common share	0.809			7	3.445
Fully diluted earnings per common share	0.798			7	3.399

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except per share amounts and unless otherwise stated)

1. Description of the Transaction

On October 3, 2023, Sagicor Financial Company Ltd. (“Sagicor” or the “Company”) acquired 100% of the outstanding shares of Proj Fox Acquisition Inc. (“Proj Fox”), a subsidiary of Wilton Re Ltd. (the “Acquisition”). The consideration paid in cash at closing was $273,140, which was financed by a new $320,000 senior secured term loan facility with a syndicate of international and Canadian banks pursuant to a credit agreement dated October 3, 2023.

These unaudited pro forma condensed consolidated financial statements present the impact of the transaction as described in Note 4, *The Acquisition* and have been prepared on the basis described in Note 2, *Basis of Preparation*.

2. Basis of Preparation

The Company’s unaudited pro forma condensed consolidated statement of financial position as at September 30, 2023, the unaudited pro forma condensed consolidated statement of income for the nine months ended September 30, 2023 and the unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2022 have been prepared by management for the purpose of presenting the impact of the Acquisition, as described herein. The unaudited pro forma condensed consolidated statement of financial position and the accompanying notes includes the effect of the Acquisition as if it had occurred on September 30, 2023. The unaudited pro forma condensed consolidated statements of income for the nine months ended September 30, 2023 and for the year ended December 31, 2022 give effect to the Acquisition as if it had occurred on January 1, 2022.

The unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2022 is presented on the basis of the historical financial statements. The bargain purchase gain has been calculated as at the transaction date.

The accounting policies used in the preparation of these unaudited pro forma condensed consolidated financial statements incorporate the significant accounting policies used by Sagicor for the respective periods in the consolidated financial statements available on SEDAR+. The unaudited pro forma condensed consolidated financial statements include all adjustments necessary for the fair presentation of these statements in accordance with the recognition and measurement principles of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Pro forma adjustments reflected in the unaudited pro forma condensed consolidated financial statements are based on items that are factually supportable, directly attributable to the Acquisition for which there are firm commitments, and are expected to have a continuing impact on the unaudited pro forma condensed consolidated financial statements for which completed financial effects are objectively determinable.

All dollar amounts, except for per share information or unless otherwise specified, are expressed in thousands of United States dollars (“USD” or “$”), which is the presentation currency of Sagicor.

The Company’s unaudited pro forma condensed consolidated financial statements have been prepared using the following information:

- The unaudited condensed consolidated statement of financial position of Sagicor as at September 30, 2023 and the unaudited condensed consolidated statement of income of Sagicor for the nine month period ended September 30, 2023 have been extracted from the unaudited condensed consolidated financial statements of Sagicor prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* (“IAS 34”) as issued by the IASB.

- The consolidated statement of income of Sagicor for the year ended December 31, 2022 has been extracted from the audited consolidated financial statements prepared in accordance with IFRS as issued by the IASB.

- The unaudited condensed interim consolidated statement of financial position of Proj Fox as at September 30, 2023 and the unaudited condensed interim consolidated statement of profit or loss of Proj Fox for the nine months ended September 30, 2023 have been extracted from the unaudited condensed interim consolidated financial statements of Proj Fox prepared in accordance with IAS 34 as issued by the IASB.

- The consolidated statement of income (loss) of Proj Fox for the year ended December 31, 2022 has been extracted from the audited consolidated financial statements of Proj Fox prepared in accordance with IFRS as issued by the IASB.

The unaudited pro forma condensed consolidated financial statements, including the notes thereto, should be read in conjunction with the Sagicor and Proj Fox historical financial statements, included elsewhere in this business acquisition report or filed on SEDAR+.

The unaudited pro forma condensed consolidated financial statements are prepared based on assumptions and adjustments that are described in the accompanying notes. The unaudited pro forma condensed consolidated financial statements do not give effect to the potential impact of current financial conditions, operating efficiencies or other savings or expenses that may be associated with the integration of the Acquisition. The unaudited pro forma condensed consolidated financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized if Proj Fox had been a subsidiary of Sagicor during the specified periods. Additionally, the application of the acquisition method of accounting depends on certain studies that have yet to be completed. Accordingly, the pro forma adjustments are preliminary, subject to further revisions as additional information becomes available and additional analyses are performed and have been made solely for the purposes of providing unaudited pro forma condensed consolidated financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed consolidated financial statements and on Sagicor’s future earnings and financial position.

3. IFRS 17 *Insurance Contracts* (“IFRS 17”)

In May 2017, the IASB issued IFRS 17 to establish a comprehensive global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020. IFRS 17, as amended, is effective for years beginning on January 1, 2023, and is to be applied retrospectively, unless impracticable, in which case the insurer may elect to use a modified retrospective or fair value method. IFRS 17 replaced IFRS 4, and the Company and Proj Fox have initially applied IFRS 17, including any consequential amendments to other standards, from January 1, 2023, for the first time. IFRS 17 changed the fundamental principles used by the Company and Proj Fox for recognizing and measuring insurance contracts and also changed the presentation of the Company’s and Proj Fox’s financial statements.

Since Sagicor and Proj Fox adopted IFRS 17 effective January 1, 2023, the unaudited pro forma condensed consolidated statement of financial position as at September 30, 2023, and the unaudited pro forma condensed consolidated statement of income for the nine months ended September 30, 2023 were prepared with IFRS 17 as the applicable insurance accounting standard, and the unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2022 was prepared with IFRS 4 as the applicable insurance accounting standard and has not been adjusted for the effect of the adoption of IFRS 17.

4. The Acquisition

On October 3, 2023, Sagicor completed its previously announced Acquisition to acquire 100% of the outstanding shares of Proj Fox in exchange for cash consideration of approximately $273,140. The Acquisition is considered to be an acquisition under IFRS 3 *Business Combinations* (“IFRS 3”) with Sagicor as the acquirer and Proj Fox as the acquired entity. The unaudited pro forma condensed consolidated financial statements have been prepared using the acquisition method of accounting in accordance with IFRS 3.

Sagicor has not yet completed the final analysis of the fair market value of Proj Fox's assets acquired and liabilities assumed and has estimated preliminary allocations to such assets and liabilities. This preliminary purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma condensed consolidated financial statements. The final purchase price allocation will be determined following the completion of the detailed studies, and necessary calculations. The final purchase price allocation could differ materially from the preliminary purchase price allocation used to prepare the pro forma adjustments. The final purchase price allocation may include changes in intangible assets, insurance contract liabilities, reinsurance contract assets, and bargain purchase gain based on the results of certain studies that have yet to be completed.

5. Adjustments to Historical Financial Information of Proj Fox

The historical financial information of Proj Fox was prepared in accordance with IFRS as issued by the IASB and is presented in Canadian dollars ("CAD"). The historical financial information was translated from CAD to USD using the following historical exchange rates:

	CAD to USD
Period end exchange rate as at September 30, 2023	0.7396
Average exchange rate for the nine months ended September 30, 2023	0.7432
Average exchange rate for the year ended December 31, 2022	0.7685

Presentation and reclassification adjustments have been made to Proj Fox's historical financial information to conform with Sagicor's presentation.

PROJ FOX UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2023
(In thousands of dollars)

Proj Fox Line Items	**Proj Fox As Reported CAD**	**Presentation Reclassification CAD**	**Sagicor Line Items**	**Proj Fox As Adjusted CAD**	**Proj Fox As Adjusted USD**
Assets					
Cash and cash equivalents	412,033	(412,033)		-	-
	-	44,232	Cash	44,232	32,716
Short-term investments	818,186	(818,186)		-	-
Bonds and debentures	5,173,079	(5,173,079)		-	-
Exchange-traded and mutual funds	2,281,548	(2,281,548)		-	-
Derivative financial instruments	146	(146)		-	-
Other invested assets	67,240	(67,240)		-	-
Accrued investment income	53,154	(53,154)		-	-
	-	8,761,154	Financial investments	8,761,154	6,480,144
Total invested assets	8,805,386	-		8,805,386	6,512,860
Reinsurance contract held assets	2,783,867	-	Reinsurance contract assets	2,783,867	2,059,073
Tax receivable	353	(353)		-	-
Deferred tax assets	272,673	(272,673)		-	-
	-	273,026	Income tax assets	273,026	201,942
Other assets	164,226	(164,226)		-	-
	-	19,744	Intangible assets	19,744	14,604
	-	14,783	Property, plant and equipment	14,783	10,934
	-	129,699	Miscellaneous assets and receivables	129,699	95,931
Segregated fund assets	629,253	-	Segregated fund assets	629,253	465,424
Total Assets	**12,655,758**	**-**	**Total assets**	**12,655,758**	**9,360,768**

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except per share amounts and unless otherwise stated)

PROJ FOX UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30, 2023
(In thousands of dollars)

Proj Fox Line Items	Proj Fox As Reported CAD	Presentation Reclassification CAD	Sagicor Line Items	Proj Fox As Adjusted CAD	Proj Fox As Adjusted USD
LIABILITIES AND EQUITY					
Liabilities					
Insurance contract liabilities	9,971,081	-	Insurance contract liabilities	9,971,081	7,375,060
Investment contract liabilities	12,923	-	Investment contract liabilities	12,923	9,558
Derivative financial instruments	1,402	(1,402)		-	-
Tax liabilities	17,332	(17,332)		-	-
	-	17,332	Income tax liabilities	17,332	12,820
Other payables	1,015,708	(1,015,708)		-	-
	-	11,490	Lease liabilities	11,490	8,499
	-	948,708	Deposit and security liabilities	948,708	701,707
	-	18,880	Other liabilities / retirement benefit liabilities	18,880	13,964
	-	38,032	Accounts payable and accrued liabilities	38,032	28,130
Insurance contract liabilities for account of segregated fund holders	629,253	-	Insurance contract liabilities for account of segregated fund holders	629,253	465,424
Total Liabilities	11,647,699	-	**Total liabilities**	11,647,699	8,615,162
Equity					
Capital stock	993,520	-	Share capital	993,520	734,852
Contributed capital	157,774	-	Share premium	157,774	116,697
Retained earnings (deficit)	(144,411)	-	Accumulated deficit	(144,411)	(106,813)
Accumulated other comprehensive income (loss)	1,176	-	Reserves	1,176	870
Total Equity	1,008,059	-	**Total shareholders' equity**	1,008,059	745,606
Total Liabilities and Equity	**12,655,758**	**-**	**Total liabilities and equity**	**12,655,758**	**9,360,768**

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

(Expressed in thousands of U.S. dollars except per share amounts and unless otherwise stated)

PROJ FOX CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the nine months ended September 30, 2023
(in thousands of dollars)

Proj Fox Line Items	Proj Fox As Reported CAD	Presentation Reclassification CAD	Sagicor Line Items	Proj Fox As Adjusted CAD	Proj Fox As Adjusted USD
Insurance Service Result					
Insurance revenue	593,647	-	Insurance revenue	593,647	441,171
Insurance service expense	(502,892)	-	Insurance service expenses	(502,892)	(373,726)
Net expense from reinsurance contracts held	(65,046)	-	Net expense from reinsurance contracts held	(65,046)	(48,339)
Net Insurance Service Result	**25,709**	**-**	**INSURANCE SERVICE RESULT**	**25,709**	**19,106**
Investment Result					
Interest revenue calculated using the effective interest method	242,217	-	Interest income earned from financial assets measured at amortised cost and FVTOCI	242,217	180,005
Other interest and similar income (loss)	85,338	(85,338)		-	-
Changes in fair value on financial assets at fair value through profit or loss	(206,509)	206,509		-	-
Net realized gain/(loss) on derecognition of financial assets measured at fair value through profit or loss	(631)	631		-	-
	-	(122,003)	Other investment income / (loss)	(122,003)	(90,667)
Net foreign exchange (expenses) income	2,558	(2,558)		-	-
Total investment income (loss)	122,973	(2,759)	**NET INVESTMENT INCOME**	**120,214**	**89,338**
Insurance finance income (expenses) for insurance contracts issued	1,772	-	Finance income / (expenses) from insurance contracts issued	1,772	1,317
Reinsurance finance income (expenses) for reinsurance contracts held	(81,418)	-	Finance income / (expenses) from reinsurance contracts held	(81,418)	(60,506)
Increase in investment contract liabilities	(201)	201		-	-
Net investment result – before segregated funds	43,126	(2,558)	**NET INSURANCE FINANCE EXPENSES**	**(79,646)**	**(59,189)**
Segregated funds investment result					
Investment income (loss) for segregated funds	24,369	-	Investment income for segregated funds	24,369	18,110
Insurance finance income (expenses) for segregated funds	(24,369)	-	Insurance finance expenses for segregated funds	(24,369)	(18,110)
Net segregated funds investment result	-	-	**NET SEGREGATED FUNDS INVESTMENT RESULT**	**-**	**-**
Total Investment Result	**43,126**	**(2,558)**	**NET INSURANCE AND INVESTMENT RESULT**	**66,277**	**49,255**
Other Expenses					
Operating and administrative expenses	(75,749)	75,749		-	-
	-	(57,796)	Other interest and finance costs	(57,796)	(42,951)
Other income (expense)	658	(658)		-	-
	-	3,216	Fees and other income	3,216	2,390
	-	(17,953)	Other operating expenses	(17,953)	(13,342)
Total Other Expenses	**(75,091)**	**2,558**			
Profit (Loss) Before Tax	**(6,256)**	**-**	**INCOME / (LOSS) BEFORE TAXES**	**(6,256)**	**(4,648)**
Income tax recovery (expense)	5,030	-	Income taxes	5,030	3,738
Profit (Loss) For The Period	**(1,226)**	**-**	**NET INCOME / (LOSS) FOR THE PERIOD**	**(1,226)**	**(910)**

PROJ FOX CONSOLIDATED STATEMENT OF INCOME (LOSS)
For year ended December 31, 2022
(has not been restated for IFRS 17, in thousands of dollars)

Proj Fox Line Items	Proj Fox As Reported CAD	Presentation Reclassification CAD	Sagicor Line Items	Proj Fox As Adjusted CAD	Proj Fox As Adjusted USD
REVENUE					
Gross premiums	989,373	-	Premium revenue	989,373	760,315
Less: Premiums ceded to reinsurers	412,228	(412,228)		-	-
	-	(412,228)	Reinsurance premium expense	(412,228)	(316,790)
Net premiums	577,145	-	Net premium revenue	577,145	443,525
Net investment (loss) income	(1,290,375)	-	Other investment loss	(1,290,375)	(991,630)
Fee income	25,444	(25,444)		-	-
Other income	1,095	(1,095)		-	-
	-	26,539	Fees and other revenue	26,539	20,395
Total Revenue (Loss)	**(686,691)**	**-**	**Total revenue, net**	**(686,691)**	**(527,710)**
POLICY BENEFITS AND CLAIMS			**BENEFITS**		
Gross benefits and claims	664,121	(664,121)		-	-
Claims ceded to reinsurers	(458,659)	458,659		-	-
Change in gross insurance contract liabilities	(1,689,328)	1,689,328		-	-
Change in insurance contract liabilities ceded to reinsurers	391,003	(391,003)		-	-
	-	(1,025,207)	Policy benefits and change in actuarial liabilities	(1,025,207)	(787,853)
	-	(67,656)	Policy benefits and change in actuarial liabilities reinsured	(67,656)	(51,992)
Change in investment contract liabilities	149	-	Interest costs	149	115
Total Policy Benefits and Claims	**(1,092,714)**	**-**	**Total benefits**	**(1,092,714)**	**(839,730)**
EXPENSES			**EXPENSES**		
Sales commissions and bonuses	201,172	-	Commissions and related compensation	201,172	154,597
Interest expense	76,909	-	Finance costs	76,909	59,103
Marketing and operating expenses	131,324	-	Administrative expenses	131,324	100,920
Policy related taxes, licenses and fees	19,327	-	Premium and asset taxes	19,327	14,852
Total Expenses	**428,732**	**-**	**Total expenses**	**428,732**	**329,472**
Income (Loss) Before Income Taxes	**(22,709)**	**-**	**INCOME / (LOSS) BEFORE TAXES**	**(22,709)**	**(17,452)**
Income tax (recovery) expense	(20,966)	20,966		-	-
	-	20,966	Income taxes	20,966	16,112
Total Net Income	**(1,743)**	**-**	**NET INCOME / (LOSS) FOR THE YEAR**	**(1,743)**	**(1,340)**

(Expressed in thousands of U.S. dollars except per share amounts and unless otherwise stated)

6. Pro forma Adjustments and Assumptions for the Acquisition of Proj Fox

The unaudited pro forma condensed consolidated financial statements include the following pro forma assumptions and adjustments:

a) Elimination of historical equity

The pro forma adjustment eliminates the historical equity accounts of Proj Fox of $745,606.

b) Purchase Price

Records the purchase price consideration, which is cash of $273,140 to acquire Proj Fox (Note 4 *The Acquisition)*. The purchase price consideration of CAD $369,285 has been translated to USD at the exchange rate in effect as at September 30, 2023, for the purpose of the unaudited pro forma condensed consolidated financial statements.

c) Preliminary Purchase Price Allocation

The Company has prepared a preliminary estimate of the fair value of assets acquired and liabilities assumed under the Acquisition. Pro forma adjustments have been made to eliminate Proj Fox's historical carrying values and to reflect the allocation of the preliminary purchase price where there is a difference between the carrying value and fair value.

The final purchase price allocation will be determined when the Company has completed the detailed studies and necessary calculations. The final purchase price allocation could differ materially from the preliminary purchase price allocation and may include changes in fair values.

The following table summarizes the preliminary allocation of the purchase price prepared as if the Acquisition had occurred on September 30, 2023:

Assets acquired and liabilities assumed	**As at September 30, 2023 $**
Property, plant and equipment	10,934
Intangible assets	14,604
Income tax assets	215,067
Financial investments	6,480,144
Reinsurance contract assets	2,527,268
Miscellaneous assets and receivables	57,698
Cash	32,716
Segregated fund assets	465,424
Insurance contract liabilities	(7,809,232)
Investment contract liabilities	(9,558)
Lease liabilities	(8,499)
Other liabilities / retirement benefit liabilities	(13,964)
Deposit and security liabilities	(748,356)
Income tax liabilities	(12,820)
Accounts payable and accrued liabilities	(28,130)
Insurance contract liabilities for account of segregated fund holders	(465,424)
Total net identifiable assets	**707,872**
Bargain purchase gain	(434,732)
Purchase price	**273,140**

Bargain purchase

The gain on bargain purchase is calculated as the excess of the preliminary estimate of the fair values assigned to the identifiable assets acquired and liabilities assumed over the purchase price.

As the gain on bargain purchase relates specifically to this transaction, this adjustment was reflected in the unaudited pro forma condensed consolidated statement of financial position as at September 30, 2023 through total shareholders' equity, and in the unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2022 through gain arising on business combinations, acquisitions and divestitures.

Reinsurance contract assets and Insurance contract liabilities
The unaudited pro forma condensed consolidated statement of financial position was adjusted to increase reinsurance contract assets by $468,195 and to increase insurance contract liabilities by $434,172 to their estimated / preliminary acquisition date fair values.

Pro forma, there is $1,265,643 of total net CSM[1] in insurance and reinsurance contracts/liabilities of which $1,125,905 is attributable to shareholders. The $1,125,905 of net CSM to shareholders[1] consists of preliminary estimated fair value of $566,978 from Proj Fox and $558,927 from Sagicor.

d) Amount on Deposit from Reinsurers

The unaudited pro forma condensed consolidated statement of financial position was adjusted to increase the amount on deposit from reinsurers in deposit and security liabilities by $46,649 to its estimated / preliminary acquisition date fair value. Since the amount on deposit from reinsurers, including the fair value adjustment, will be measured at amortized cost using the effective interest method over the remaining life of the IFRS 9 *Financial Instruments* ("IFRS 9") liability, over a period greater than one year, the unaudited pro forma condensed consolidated statements of income also reflect a pro forma adjustment to decrease finance costs by $996 for the nine months ended September 30, 2023 and $1,243 for the year ended December 31, 2022.

e) Unearned Commissions

The unaudited pro forma condensed consolidated statement of financial position was adjusted to remove Proj Fox's unearned commissions of $38,233. This amount was removed from miscellaneous assets and receivables because the unearned commissions would not qualify for separate asset recognition in a business combination.

f) Transaction Costs

The Company's transaction costs for the Acquisition are expected to approximate $25,183, of which $1,119 and $3,791 were included in the Company's consolidated statements of income for the nine months ended September 30, 2023 and for the year ended December 31, 2022, respectively.

Transaction costs that are directly attributable to the Acquisition and are factually supportable but have not yet been expensed in Sagicor or Proj Fox's historical statements of income (loss) or accrued in the historical statements of financial position are reflected as a reduction to cash and total shareholders' equity of $20,273 in the unaudited pro forma condensed consolidated statement of financial position and an increase to administrative expenses in the unaudited pro forma condensed consolidated statement of income for the year ended December 31, 2022.

g) Senior Secured Term Loan

The Acquisition was financed by a new $320,000 senior secured term loan facility with a syndicate of international and Canadian banks pursuant to a credit agreement dated October 3, 2023. The new secured term loan facility bears interest at SOFR plus 5%. The interest rate assumed for purposes of preparing this pro forma financial information is 10.33% and is based on the SOFR rate of 5.33% as of October 3, 2023 when the senior secured term loan facility was drawn. The senior secured term loan facility after expenses resulted in net proceeds of approximately $316,245.

The Company's financing fees for the senior secured term loan facility were $20,039, of which $16,284 was included in the Company's condensed consolidated statement of financial position as at September 30, 2023. The unaudited pro forma condensed consolidated statement of financial position was adjusted to reflect a reduction in miscellaneous assets and receivables by $16,284, relating to the upfront financing fee paid to the lender at commitment to secure the financing which was offset against the senior secured term loan when issued. The net senior secured term loan facility of $299,961 after financing fees was recorded in notes and loans payable in the unaudited pro forma condensed consolidated statement of financial position.

(Expressed in thousands of U.S. dollars except per share amounts and unless otherwise stated)

The unaudited pro forma condensed consolidated statements of income reflect a pro forma adjustment to increase finance costs by $28,331 for the nine months ended September 30, 2023 and $37,294 for the year ended December 31, 2022.

The following shows the interest expense incurred on the senior secured term loan and the effect of an increase (decrease) in the applicable interest rate:

	For the nine months ended September 30, 2023 $	For the year ended December 31, 2022 $
Interest expense on the senior secured term loan	28,331	37,294
0.1% increase in the applicable interest rate	28,568	37,607
0.1% decrease in the applicable interest rate	28,093	36,981

h) Income Taxes

For the purpose of the pro forma adjustments included in the unaudited pro forma condensed consolidated financial statements, the following tax rates were applied:

- Sagicor's (statutory) income tax rates were nil for the nine months ended September 30, 2023 and for the year ended December 31, 2022.

- Proj Fox's (statutory) income tax rates of 25.3% and 25.87% for the nine months ended September 30, 2023 and for the year ended December 31, 2022 respectively were used in determining a corresponding income tax expense of $252 and $322, respectively, as a result of the pro forma adjustments

The effective tax rate of Sagicor following the Acquisition could be significantly different than the (statutory) tax rates assumed for purposes of preparing these unaudited pro forma combined statements of income for a variety of factors, including post-acquisition activities.

The deferred income tax asset of $13,125 arising on the Acquisition is comprised of the cumulative amount of tax applicable to temporary differences between the accounting and tax values of assets and liabilities related to the Acquisition of $50,859. Deferred income tax assets and liabilities are measured at the tax rates expected to be in effect when these differences reverse which was 25.81%.

7. Pro forma earnings per share

Sagicor's basic and diluted net income per share is calculated by dividing the net income for the period by the pro forma weighted average numbers of common shares that would have been outstanding during the period using the treasury stock method.

The weighted average numbers of common shares were determined by taking the historical weighted average number of common shares outstanding:

	For the nine months ended September 30, 2023	**For the year ended December 31, 2022** (has not been restated for IFRS 17)
Numerator		
Numerator for basic and diluted earnings per common share - Pro forma net income attributable to common shareholders	$18,224	$492,319
Denominator		
Pro forma denominator for basic earnings per common share – weighted average number of common shares (in thousands)	142,506	142,905
Effect of dilutive securities (in thousands)	1,578	1,943
Pro forma denominator for diluted earnings per common shares – weighted average common shares (in thousands)	144,084	144,848
Pro forma basic earnings per common share	$ 0.128	$ 3.445
Pro forma diluted earnings per common share	$ 0.126	$ 3.399

(i) For the purpose of this footnote, pro forma net earnings is in whole U.S. dollars.

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[1] Represents a non-IFRS measure. See the Non-IFRS Measures section on the cover page to Schedule "A" of the Business Acquisition Report, of which these unaudited pro forma condensed consolidated statements form a part.

Schedule B

Audited Consolidated Financial Statements of Proj Fox as at and for the year ended December 31, 2022 and 2021

Proj Fox Acquisition Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate policies and making estimates and other judgments consistent with International Financial Reporting Standards issued by the International Accounting Standards Board and with the requirements of the Office of the Superintendent of Financial Institutions.

The Board of Directors oversees management's responsibilities for financial reporting.

Management is also responsible for maintaining systems of internal control that provide reasonable assurance that financial information is reliable, that all financial transactions are properly authorized, that assets are safeguarded and that Proj Fox Acquisition Inc. ("Proj Fox") adheres to legislative and regulatory requirements. These systems include the communication of policies and standards of business conduct. Such policies and standards are designed to prevent conflicts of interest and unauthorized disclosure of information. Internal controls are reviewed and evaluated by Proj Fox's internal auditors.

Proj Fox has no employees and *ivari*, a subsidiary company, provides most of its operating services and management oversight.

The Board which includes the governance structure and the board of directors at Proj Fox's major operating subsidiary, also conducts such review and inquiry of management and the internal and external auditors as it deems necessary in establishing that Proj Fox has an appropriate system of internal control, is adhering to legislative and regulatory requirements and is applying its policies and standards of business conduct. Both the internal and external auditors have full and unrestricted access to the Board, with and without the presence of management.

The Appointed Actuary, who is a member of management, is appointed by the Board of Directors to discharge the various actuarial responsibilities required and conducts the valuation of Proj Fox's insurance contract liabilities.

Proj Fox's external auditors, Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, conduct an independent audit of the consolidated financial statements and meet separately with both management and the Board to discuss the results of their audit. The Independent Auditor's Report to the shareholder accompanies these consolidated financial statements.

Todd Lawrence

Todd Lawrence
President and Chief Executive Officer

Daniel Pellerin

Daniel Pellerin
Executive Vice President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Proj Fox Acquisition Inc.

Opinion

We have audited the consolidated financial statements of Proj Fox Acquisition Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022 and 2021 and the consolidated statements of income, of comprehensive income (loss), of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

December 12, 2023
Toronto, Ontario

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31	Note		2022		2021
(thousands of dollars)					
ASSETS					
Cash and cash equivalents	4,5	$	74,730	$	64,305
Short-term investments	4,5		1,014,176		845,180
Bonds and debentures	3,4,5		5,484,838		5,937,605
Exchange-traded and mutual funds	3,4,5		1,966,640		2,874,992
Mortgage loans	4		7		16
Derivative assets	3,4,5,6		1,096		558
Accrued investment income	4		33,415		31,574
Other invested assets	4		69,233		123,238
Loans to policyholders	4		132,980		134,349
Total Invested Assets		$	8,777,115	$	10,011,817
Reinsurance assets	3,8		2,215,816		2,606,820
Deferred tax asset	19		47,550		5,992
Other assets	7		295,643		265,100
Segregated funds net assets	3,5,20		822,275		1,041,232
Total Assets		$	12,158,399	$	13,930,961
LIABILITIES AND EQUITY					
Liabilities					
Insurance contract liabilities	3,8	$	8,651,178	$	10,326,176
Investment contract liabilities	3,8		15,046		19,121
Reinsurance payables	3		10,121		6,924
Derivative liabilities	3,4,5,6		498		368
Deferred tax liability	19		0		55,834
Other liabilities	10		1,036,616		1,021,252
Segregated funds net liabilities	5,20		822,275		1,041,232
Total Liabilities		$	10,535,734	$	12,470,907
Equity					
Capital stock	11		518,520		518,520
Contributed capital	12		632,842		281,797
Retained earnings (deficit)			476,805		478,548
Accumulated other comprehensive income (loss)			(5,502)		181,189
Total Equity		$	1,622,665	$	1,460,054
Total Liabilities and Equity		$	12,158,399	$	13,930,961

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

Approved by the Board of Directors on December 8, 2023, and signed on its behalf by:

Todd Lawrence

Todd Lawrence
President and Chief Executive Officer

Daniel Pellerin

Daniel Pellerin
Executive Vice President and Chief Financial Officer

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended December 31	Note		2022		2021
(thousands of dollars)					
REVENUE					
Gross premiums	14	$	989,373	$	967,983
Less: Premiums ceded to reinsurers	14		412,228		441,797
Net premiums			577,145		526,186
Net investment (loss) income	4		(1,290,375)		252,886
Fee income	15		25,444		28,978
Other income			1,095		622
Total Revenue (Loss)		$	(686,691)	$	808,672
POLICY BENEFITS AND CLAIMS					
Gross benefits and claims	16	$	664,121		641,303
Claims ceded to reinsurers	16		(458,659)		(418,186)
Change in gross insurance contract liabilities	8		(1,689,328)		2,305
Change in insurance contract liabilities ceded to reinsurers	8		391,003		93,289
Change in investment contract liabilities	8		149		305
Total Policy Benefits and Claims		$	(1,092,714)	$	319,016
EXPENSES					
Sales commissions and bonuses		$	201,172	$	188,475
Interest expense			76,909		75,912
Marketing and operating expenses	17		131,324		124,496
Policy related taxes, licenses and fees			19,327		16,726
Total Expenses		$	428,732	$	405,609
Income (Loss) Before Income Taxes		$	(22,709)	$	84,047
Income tax (recovery) expense	19	$	(20,966)	$	14,024
Total Net Income		$	(1,743)	$	70,023

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Year Ended December 31		2022		2021
(thousands of dollars)				
Net income	$	(1,743)	$	70,023
Other comprehensive income (loss), net of income taxes:				
Change in unrealized gains (losses) on available-for-sale assets arising during the year:				
Bonds and short-term investments		(189,697)		(50,452)
Equities and Other		(50)		143
Reclassification adjustment for losses (gains) included in net income (loss):				
Bonds and short-term investments		7		(177)
Re-measurement of Defined Benefit Plans		3,049		10,008
Total Comprehensive Income (Loss)	$	(188,434)	$	29,545

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31	Note		2022		2021
(thousands of dollars)					
Capital stock					
Balance, January 1	11	$	518,520	$	518,520
Balance, December 31		$	518,520	$	518,520
Contributed capital					
Balance, January 1		$	281,797	$	281,797
Additional contributed capital, contributed in cash during the year	12		351,045		-
Balance, December 31		$	632,842	$	281,797
Retained earnings (deficit)					
Balance, January 1		$	478,548	$	408,525
Net income			(1,743)		70,023
Balance, December 31		$	476,805	$	478,548
Accumulated other comprehensive income (loss), net of income taxes					
Balance, January 1		$	181,189	$	221,667
Net change in unrealized gains (losses) on available-for-sale assets			(189,740)		(50,486)
Re-measurement of Defined Benefit Plans			3,049		10,008
Balance, December 31		$	(5,502)	$	181,189
Total Equity		$	1,622,665	$	1,460,054

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31		2022		2021
(thousands of dollars)				
OPERATING ACTIVITIES				
Net income	$	(1,743)	$	70,023
Items not affecting cash:				
Decrease (increase) in accrued investment income		(1,840)		(360)
Decrease (increase) in other assets		(30,544)		(33,194)
Decrease (increase) in tax provision on operating income		(31,372)		6,081
Increase (decrease) in insurance contract liabilities		(1,674,998)		30,302
Increase (decrease) in investment contract liabilities		(4,075)		(3,425)
Increase (decrease) in other liabilities		18,130		10,591
Decrease (increase) in reinsurance assets and liabilities (net)		394,201		95,134
Net unrealized losses (gains), including impairments		1,550,945		(32,846)
Net amortization of premium (accrual of discount) on invested assets		(101,964)		(91,571)
Total Non-Cash items	$	118,483	$	(19,288)
Net Cash Provided by Operating Activities	$	116,740	$	50,735
INVESTING ACTIVITIES				
Sales, maturities and scheduled repayments of:				
Bonds and other fixed-term securities	$	850,724	$	327,877
Exchange-traded and mutual funds		815,764		168,463
Mortgage loans		9		9
Other invested assets		401,485		425,726
Derivatives		(3,245)		(5,958)
Purchases and issues of:				
Bonds and other fixed-term securities		(1,821,002)		(209,144)
Exchange-traded and mutual funds		(229,055)		(243,336)
Other invested assets		(278,534)		(408,493)
Short-term investments, net		(192,109)		(165,918)
Loans to policyholders, net		1,369		6,088
Net Cash Used in Investing Activities	$	(454,594)	$	(104,686)
FINANCING ACTIVITIES				
Principal portion of lease liabilities	$	(2,766)	$	(2,480)
Lease termination penalty		-		(57)
Contributed capital		351,045		-
Net Cash Provided by (Used in) Financing Activities	$	348,279	$	(2,537)
Net Increase (Decrease) in Cash and Cash Equivalents during the year	$	10,425	$	(56,488)
SUMMARY OF CHANGES IN CASH POSITION				
Cash and cash equivalents, beginning of year	$	64,305	$	120,793
Net increase (decrease) in cash and cash equivalents during the year[1]		10,425		(56,488)
Cash and Cash Equivalents, end of year	$	74,730	$	64,305

[1] Included in net increase (decrease) in cash and cash equivalents during the year is interest received of $566 (2021 - $32) and interest expense paid of $67,681 at December 31, 2022 (2021 - $62,901), as well as dividends received of $63,237 at December 31, 2022 (2021 - $137,586).

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

CONSOLIDATED SCHEDULE OF CHANGES IN SEGREGATED FUNDS NET ASSETS

For the Year Ended December 31		2022		2021
(thousands of dollars)				
Segregated Funds Net Assets, beginning of year	$	1,042,170	$	1,061,144
Additions to segregated funds:				
Deposits		17,660		18,792
Net realized and unrealized gains (losses)		(112,769)		87,594
Interest and dividend income		22,457		54,662
Total Additions	$	(72,652)	$	161,048
Deductions from segregated funds:				
Payments to policyholders and their beneficiaries		116,130		145,047
Management fees		20,772		24,289
Other expenses, including GST on management fees		9,470		10,686
Total Deductions	$	146,372	$	180,022
Segregated Funds Net Assets, end of year	$	823,146	$	1,042,170

CONSOLIDATED SCHEDULE OF SEGREGATED FUNDS NET ASSETS

For the Year Ended December 31		2022		2021
(thousands of dollars)				
Investments, at market value:				
Cash and short-term investments	$	85,060	$	99,589
Bonds		59,937		73,020
Equities and mutual funds		677,663		868,743
Futures contracts		-		(206)
Other assets		1,292		1,710
Liabilities		(806)		(686)
Total Segregated Funds Net Assets	$	823,146	$	1,042,170
Seed units invested in segregated funds by the Company		871		938
Segregated Funds net assets		822,275		1,041,232
Total Segregated Funds Net Assets	$	823,146	$	1,042,170

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – INDEX

December 31, 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

1. Basis of Preparation

(a) Corporate Information

Proj Fox Acquisition Inc. ("Proj Fox" or the "Company") was incorporated under the laws of Nova Scotia in 2014. It is a holding company. Wilton Re Ltd. ("WRL"), which is also domiciled in Nova Scotia, owns 88% of the redeemable voting stock and all of the non-voting participating stock of Proj Fox, and two officers of WRL collectively own all of the remaining redeemable voting stock.

Proj Fox owns 100% of Wilton Re (Canada) Limited ("WRC"), which was incorporated under the laws of Bermuda on June 2, 2015. It holds a Long-Term Insurer License Class E under the Bermuda Insurance Act of 1978 ("the Act") and may reinsure business of its affiliate, Wilton Re Bermuda, or of its Canadian insurance subsidiary.

WRC owns 100% of *ivari* Holdings ULC ("iHULC"). iHULC owns 100% of *ivari,* a Canadian life insurance company and is the sponsor of pension plans that provide retirement benefits to the employees of *ivari*. *ivari* is regulated by the Office of the Superintendent of Financial Institutions ("OSFI").

WRC was required to establish a Canadian life insurance branch ("the Branch") by the Department of Finance to reinsure certain policies written by *ivari* ("underlying policies"); the Branch is regulated by OSFI. The Branch entered into a single reinsurance assumption contract with *ivari* on September 1, 2017 and it does not participate in any retrocession contracts.

Proj Fox is a taxable Canadian Corporation. WRC, including the Branch operations, is taxed as a single entity and is a resident of Canada for tax purposes. The Branch alone is not a taxpayer and consequently, it does not recognize any corporate income or capital taxes.

(b) Basis of Presentation

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

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of Proj Fox, and all amounts are rounded to the nearest thousand dollars except when otherwise indicated.

Assets and liabilities are translated using the closing exchange rate at the statement of financial position date, Shareholder's equity is translated using the exchange rate at the date of transaction, and income and expenses are translated using the average exchange rates over the period. The resulting gains and losses related to foreign exchange are included in investment income.

(c) Use of Estimates and Judgments

Preparation of the consolidated financial statements requires that management make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Accounting policies requiring complex estimates and significant judgments include the measurement and classification of insurance contract liabilities and investment contract liabilities, the valuation of certain financial assets and liabilities, and income taxes. Details on the judgments and estimates are provided in the related notes. Although some variability is inherent in these estimates, management believes that the amounts provided are appropriate.

(d) Basis of Consolidation

These consolidated financial statements include the financial results of Proj Fox, WRC, iHULC and *ivari* (collectively "the Company"). Each entity has a board of directors and in some cases board committees (singularly or collectively "the Board"). In some instances, the notes to the consolidated financial statements specifically describe the activities of *ivari.*

The Company's consolidated financial statements have been prepared using uniform accounting policies for like transactions and events in similar circumstances. Intercompany balances, as well as income and expenses arising from intercompany transactions, have been eliminated in preparing the consolidated financial statements.

2. Significant Accounting Policies and Accounting Policy Changes

(a) Significant Accounting Policies

The Company's significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

(i) Financial Assets Excluding Embedded Derivatives

Financial assets are recognized on the trade date when the Company becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

The Company records sales of invested assets on the trade date.

Classification

The following financial assets are classified as fair value through profit or loss ("FVTPL"): financial assets held for trading ("HFT"), financial assets managed on a fair value basis in accordance with the Company's risk management and investment strategy; and financial assets containing an embedded derivative that is not closely related and that cannot be reliably separated. In addition, in certain instances the Company designates financial assets to this category when, by doing so, a potential accounting mismatch in the consolidated financial statements is eliminated or significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(i) Financial Assets Excluding Embedded Derivatives (continued)

Classification (continued)

ivari designates financial assets backing insurance contract liabilities as FVTPL. Insurance contract liabilities are calculated based on the Canadian Asset Liability Method ("CALM"). Under this method, the carrying value of assets backing insurance contract liabilities is considered in the basis of the calculation. Therefore, any change in fair value of the assets matching these liabilities is taken into account in the calculation. Assets backing insurance contract liabilities include cash and cash equivalents and short-term investments, exchange-traded funds ("ETFs"), bonds and debentures and mutual funds.

Mortgages, policyholder loans, land leases and accounts receivable are classified as loans and receivables.

All remaining non-derivative financial assets are designated as available-for-sale ("AFS"). These AFS assets back surplus and investment contract liabilities, and include cash equivalents, bonds and debentures and the seed units in segregated funds.

The Company has not classified any financial instruments as held-to-maturity.

Measurement

Financial assets are initially recognized at fair value excluding interest accrued to date. For AFS assets and for loans and receivables, the Company also includes any directly attributable incremental costs in the initial fair value measurement. Accrued interest is recognized separately.

For FVTPL assets, all accrued income and realized and unrealized gains (losses) are recognized in net investment income in the consolidated statement of income. For AFS assets, unrealized gains (losses) in fair value are recognized in other comprehensive income ("OCI").

Realized gains (losses) on the sale of AFS assets are reclassified from accumulated other comprehensive income ("AOCI") and recorded as gains (losses) in net investment income. Loans and receivables are carried at amortized cost using the effective interest rate method.

Fair Value

The fair value of a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions involving the same instrument, without modification or repackaging, or based on a valuation technique whose variables include only inputs from observable markets.

Subsequent to initial recognition, the values of financial assets and financial liabilities are measured at fair values that are quoted in active markets based on bid prices for financial assets or ask prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques which utilize observable market inputs. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. See Note 5 (d) for additional information.

The Company calculates fair value based on the following methods of valuation and assumptions:

- Invested Assets
  The fair value of invested assets is based on quoted market prices. If quoted market prices are not readily available, the fair value is based on prevailing market prices for instruments with similar characteristics and risk profiles or internal or external valuation models using observable market-based inputs.

- Derivative Financial Instruments
  The fair value of exchange-traded futures derivative financial instruments is based on quoted market prices. The fair value of over-the-counter derivative financial instruments is determined using valuation models that incorporate prevailing market rates and prices on underlying instruments with similar maturities and characteristics.

  The fair value of over-the-counter trading derivatives, including foreign currency forwards and credit swaps as well as equity call and put options, is estimated using established models which recognize the need to address market, liquidity and credit risks not appropriately captured by the models and is recorded net of valuation adjustments. For certain derivatives, fair value may be determined in whole or in part from valuation techniques using non-observable market inputs or transaction prices. A number of factors such as bid-offer spread, credit profile and market uncertainty are taken into account, as appropriate, when values are determined using valuation techniques.

The Company's financial assets include the following:

- Cash, Cash Equivalents and Short-term Investments

  Assets included here are comprised of cash, current operating accounts, term deposits and fixed income securities which are held for the purpose of meeting short-term cash commitments.

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(i) Financial Assets Excluding Embedded Derivatives (continued)

Fair Value (continued)

- Cash, Cash Equivalents and Short-term Investments (continued)

  Short-term investments within the Company's surplus portfolio with a maturity of less than 90 days from the acquisition date are presented as cash equivalents.

  Purchase premiums or discounts are amortized over the life of the security using the effective interest rate method and are recognized as interest income. Interest income earned on these assets is recorded in net investment income.

- Bonds and Debentures

  The fair value of publicly traded bonds is determined using quoted market bid prices. For non-publicly traded bonds, when independent prices are not available, fair values are determined by using valuation techniques which utilize observable market inputs.

  These primarily include comparisons with similar instruments where market observable prices exist and may include discounted cash flow analysis and other valuation techniques commonly used by market participants. The Company does not believe that using alternative assumptions in the valuation techniques for these bonds would result in significantly different fair values.

  Purchase premiums or discounts are amortized over the life of the security using the effective interest rate method and are recognized as interest income. Interest income earned on these assets is recorded in net investment income.

- Mortgages

  Mortgages are carried at amortized cost which approximates fair value as described above.

- Exchange-traded Funds

  ivari invests in ETFs to match the underlying investment risk of equity-linked account values for universal life contracts. ETFs are recorded at their fair values, being the bid price recorded by the securities exchange on which such securities are principally traded.

- Mutual Funds

  ivari invests in mutual funds to match the underlying investment risk of equity-linked account values for universal life contracts. The fair value of investments in mutual funds is determined using specified bid unit values.

- Common Stock

  Common stock is included at fair value in exchange-traded and mutual funds on the consolidated statement of financial position.

- Loans to Policyholders

  Loans to policyholders are carried at their outstanding balance which approximates fair value and represents the unpaid principal balance and accrued interest. These loans are fully secured by the cash surrender value of the policies on which the respective loans are made.

- Other Invested Assets

  ivari has invested seed units in its segregated funds, and these are carried at fair value using quoted prices.

  As part of its derivatives activities, *ivari* has pledged short-term investments as futures margins.

Impairment

Investments are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to: the financial condition of the issuer; specific adverse conditions affecting an industry or region; a decline in fair value not related to interest rates; bankruptcy; defaults; and delinquency in payments of interest or principal. Investments are considered to be impaired when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due or when the Company does not intend to hold the investment until the value has recovered. Market prices are taken into consideration when evaluating impairment, however, the market value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset.

When there is objective evidence that an AFS bond is impaired, the asset is written down to its fair value and the loss accumulated in AOCI is reclassified to other net investment income. Following impairment loss recognition, these assets continue to be recorded at fair value, with further changes in fair value recorded to OCI, and are regularly assessed for further impairment. Should the fair value subsequently increase due to an event occurring after the impairment loss was recorded, the impairment loss is reversed as appropriate.

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(i) Financial Assets Excluding Embedded Derivatives (continued)

Impairment (continued)

For impaired bonds, write-offs are made to adjust the carrying value to the recoverable amount measured by discounting the estimated future cash flows at the effective interest rate inherent in the bonds. For mortgages and loans classified as loans and receivables, provisions are established to adjust the carrying value to the recoverable amount measured by discounting the estimated future cash flows at the effective interest rate inherent in the loan. Wherever possible, the fair value of collateral underlying the loan or an observable market price is used to establish the recoverable amount. Gains (losses) on bonds, ETFs and mutual funds designated as FVTPL are already recorded in net income. When determined to be impaired, interest on bonds, mortgages and loans is no longer accrued and previous interest accruals are reversed.

Objective evidence of impairment of an investment in an equity instrument designated as AFS includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Significant or prolonged decline is generally defined as an unrealized loss position for six months or more or a fair value of less than 80% of the cost price of the investment. Additionally, as part of an ongoing process, the Company actively monitors earnings releases, company fundamentals, new developments and industry trends for any signs of possible impairment. Significant management judgment is used in applying this information.

Impairment losses on equity instruments classified as AFS are recognized in net income (loss).

Impairment reviews are conducted periodically throughout the year.

Derecognition

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the amount recognized in net income (loss) is the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain (loss) that had been recognized in OCI and accumulated in equity.

(ii) Financial Liabilities

Measurement

Financial liabilities are recognized initially on the date they are originated at fair value plus any directly attributable incremental costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except derivative liabilities which are measured at fair value.

The Company's financial liabilities include investment contract liabilities, derivative liabilities and other liabilities which consist of the following:

- Amounts on Deposit from Reinsurer
- *ivari* has a funds withheld arrangement with one of its reinsurance providers and credits interest on the outstanding balance of the amount payable to the reinsurer.
- Retirement Benefit Plans

  iHULC has no employees, however it sponsors the retirement benefit plans and the post-retirement health benefit and post-employment disability plans for its Canadian operating affiliates. The defined benefit obligation is determined by the terms and conditions of the plan applicable on the reporting date. The Company does not provide any guarantee with respect to the performance of the defined contribution plans.
- Other liabilities also include accounts payable, accrued expenses, taxes payable and dividend payable.

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iii) Offsetting of Financial Assets and Financial Liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. An incremental cost is one that would not have been incurred had the financial instrument not been acquired, issued or disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(v) Insurance Contracts

Insurance contracts are accounted for under IFRS 4 *Insurance Contracts* (“IFRS 4”) and under it, the Company continues to apply the accounting policies that were applicable prior to the adoption of IFRS.

Insurance contracts are contracts under which the Company accepts a significant insurance risk, other than a financial risk, from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. The Company reviews contracts with consistent risk features to assess whether the underlying contracts transfer significant insurance risk on an individual basis. This is considered the case when at least one scenario with commercial substance can be identified in which the Company has to pay significant additional benefits to the policyholder. Contracts that have been classified as insurance will not be subsequently reclassified as investment contracts.

Insurance Contract Liabilities

Insurance contract liabilities are valued using CALM. The liabilities represent an estimate of the amount which, together with future premiums and investment income, will be sufficient to pay future benefits, policyholder dividends and expenses on in-force policies. Insurance contract liabilities are determined using accepted actuarial practices according to the standards established by the Actuarial Standards Board (“ASB”) and guidance provided by the Canadian Institute of Actuaries (“CIA”).

The Company recognizes the liability when the insurance contract is entered into and the premiums are due, and derecognizes the balance when the insurance contract expires, is discharged or is cancelled.

Insurance contract liabilities are presented gross of reinsurance assets on the consolidated statement of financial position.

Other Insurance Contract Liabilities

Other insurance contract liabilities represent the estimated amount necessary to pay benefits which have been incurred and not yet paid. These liabilities are based on best estimates and may include reasonable provisions for adverse deviations from those estimates. Where the benefits involve the payment of benefits over an extended period of time, the estimated future benefit and expense amounts have been discounted for interest; otherwise the amounts are calculated on an undiscounted basis.

(vi) Investment Contracts

Investment contracts are contracts under which the Company accepts a financial risk for a policyholder but does not accept a significant insurance risk. Contracts issued by the Company that transfer financial risk from the policyholder to the Company and do not transfer significant insurance risk are accounted for in accordance with International Accounting Standards (“IAS”) 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”) and they can be reclassified as insurance contracts if the insurance risk subsequently becomes significant.

Investment contract liabilities are measured at amortized cost and recognized when the investment contract is entered into. At initial recognition, the Company records these liabilities at fair value less transaction costs directly attributable to issuance of the investment contract. For subsequent periods, the Company measures the investment contract liabilities at amortized cost using the effective interest rate method. The liability is derecognized when the investment contract expires, is discharged or is cancelled.

(vii) Service Contracts

Contracts that have the legal form of an insurance contract but do not expose the insurer to significant insurance or financial risk, for example life insurance contracts in which the insurer bears no significant mortality or morbidity risk, are termed service contracts. Service contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Revenue and expenses related to service contracts are included in other income.

(viii) Embedded Derivatives

Life insurance contracts typically include derivative-like terms and conditions. With the exception of policyholder options to surrender the contract at a fixed amount, contractual features that are not closely related to the insurance contract and that do not themselves meet the definition of insurance contracts are bifurcated and accounted for as derivatives. In assessing whether a derivative-like feature is closely related to the contract in which it is embedded, the Company considers the similarity of the characteristics of the embedded derivative and the host contract. Embedded derivatives that transfer significant insurance risk are accounted for as insurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(viii) Embedded Derivatives (continued)

These financial instruments are measured at fair value with changes in fair value recognized in profit or loss. Fair value of embedded derivatives is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data when available.

(ix) Reinsurance Assets and Liabilities

Ceded Reinsurance

Ceded reinsurance contracts are contracts entered into by the Company with other insurance companies (“reinsurers”) in order to transfer a portion of the risk and to receive proportionate compensation for benefits and claims on insurance contracts written by the Company. For contracts transferring sufficient insurance risk, a reinsurance asset or liability is recognized for the expected future benefits less expected future reinsurance premiums.

As required under IFRS, premiums, liabilities for future policy benefits, policyholder benefits paid and commissions are recorded gross of amounts ceded to, and recoverable from, reinsurers.

Reinsurance assets represent amounts due to the Company from reinsurers. The calculation of these amounts, in accordance with the terms of the reinsurance agreements, is consistent with the calculation of insurance contract liabilities.

Reinsurance assets are subject to impairment testing. They are impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that not all amounts due under the terms of the contract will be received and the impact of the event on the amount to be received from the reinsurer can be reliably measured. Impairment losses are recognized in net income (loss).

Reinsurance assets are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance liabilities are derecognized when the contractual obligations are extinguished or expire or when the contract is transferred to another party.

Assumed Reinsurance

An assumed reinsurance contract was entered into by WRC to acquire a portion of the risk and provide proportionate compensation for claims and benefits on insurance contracts written by an affiliate insurance company.

(x) Under Canadian tax law, each legal entity within the Company is taxed individually. The notes that follow describe the application of Canadian tax:

- Current Income Taxes

  The income tax expense (recovery) is the amount expected to be paid to (recovered from) the taxation authorities for the current year as well as adjustments for taxes expected to be payable or recoverable in respect to previous periods. The tax rates used to compute these amounts are those that are enacted or substantively enacted at the reporting date.

  Income taxes relating to amounts included in OCI are recognized in OCI and not in net income.

  Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- Deferred Income Taxes

  Deferred income taxes are accounted for using the liability method of tax allocation. Under this method, a deferred tax asset or liability is recorded for differences that are expected to reverse in future periods between the carrying amount of an asset or liability recognized in the consolidated statement of financial position and the amount attributed to that asset or liability for tax purposes. These differences are referred to as temporary differences. Deferred income taxes are calculated on temporary differences arising from investments in subsidiaries except where the Company controls the timing of the reversal of the temporary difference and it is apparent that the temporary difference will not reverse in the foreseeable future.

  A deferred tax asset or liability is recorded at the tax rate expected to apply when each temporary difference is reversed, and the change in the balance is recognized in either OCI or net income depending on the nature of the underlying transaction.

  A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither net income nor comprehensive income, no deferred tax asset is recognized.

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(x) Under Canadian tax law, each legal entity within the Company is taxed individually. The notes that follow describe the application of Canadian tax: (continued)

- The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future against which the deferred tax asset can be applied. An unrecognized deferred tax asset is reassessed at each reporting date and recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

  A deferred tax liability is recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the comprehensive income nor taxable income (loss).

(xi) Segregated Funds

Segregated funds contracts provide minimum death, withdrawal and maturity value guarantees to the policyholders. *ivari* considers these benefits to be insurance contracts and includes the liabilities associated with these guarantees in insurance contract liabilities.

Certain of the segregated funds contracts allow the policyholders to invest in segregated investment funds managed by *ivari* for their benefit. The policyholders bear the risks and rewards of the performance of the funds, however the underlying assets of the funds are owned by *ivari*. The underlying assets are recorded at fair value and the values are based on quoted market prices or, where quoted market prices are not readily available, on prevailing market prices for instruments with similar characteristics and risk profiles or by using internal or external valuation models with observable market-based inputs. The fair value of the net liabilities is set equal to the fair value of the net assets. Segregated funds net assets and net liabilities are presented as separate lines on the consolidated statement of financial position.

ivari earns a fee for the management of these funds which is included in fee income.

(xii) Derivatives Excluding Embedded Derivatives

Derivatives are financial instruments that require little or no net initial investment, are settled at a future date and whose value changes in response to an underlying variable(s).

In the ordinary course of business, *ivari* uses various derivatives, such as currency forwards, equity futures and credit derivatives, to manage the risk related to its asset/liability positions and to hedge against fluctuations in interest rates, foreign exchange rates, stock market indices and credit changes.

Derivatives with a positive fair value are reported as assets and derivatives with a negative fair value are reported as liabilities. *ivari* classifies derivatives as HFT with fair value changes reflected in net investment income within the consolidated statement of income.

IFRS specifies the criteria under which hedge accounting may be applied and how hedge accounting may be executed for each of the permitted hedging strategies. *ivari* does not use hedge accounting for any of its derivative instruments.

Fair values of exchange-traded futures contracts are based on quoted market closing prices. Fair values of forward contracts, which are traded over-the-counter, are determined using pricing models which take into account current market prices of underlying instruments, interest rates and exchange rates.

Fair values of swap contracts are determined by discounting expected future cash flows using current market interest rates and exchange rates for similar instruments. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, when available.

(xiii) Provisions

Provisions are recognized for present legal or constructive obligations arising from past events, when it is probable that they will result in a flow of economic benefits (losses) and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the amount required to settle the present obligation at the consolidated statement of financial position date, considering all its inherent risks and uncertainties. Legal costs related to the settlement are recognized as incurred. These provisions are reviewed on a case-by-case basis as facts and circumstances change.

(xiv) Other Assets

Other assets are measured at amortized cost and include accounts receivable, business loans, property and equipment, right-of-use assets, intangible assets, unearned commissions, and prepaid assets. Additional notes on some categories appear below:

Accounts Receivable
Accounts receivable is comprised of amounts due from business partners, affiliates and brokers as well as premiums due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(xiv) Other Assets (continued)

Property and Equipment
Property and equipment is comprised of: furniture, computers, other equipment, leasehold improvements and leased equipment. These assets are carried at cost less accumulated depreciation and impairment. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are depreciated over the lower of the lease terms of the associated leases and the useful life. All other property and equipment are depreciated over periods that range from three to ten years.

Intangible Assets
Software and other intangible assets are recognized to the extent that the assets: can be identified; are controlled by the Company; are expected to provide future economic benefits; and can be measured reliably. The Company has no internally-generated intangible assets arising from research or goodwill, brands, customer lists and similar items.

Software and other intangible assets are carried at cost less accumulated depreciation and impairment losses. Depreciation of the asset is over its useful life as the future economic benefits emerge and is recognized in net income as an expense. The depreciation period and pattern are reviewed at each reporting date, with any changes recognized in net income (loss). Intangible assets are depreciated over periods ranging from three to ten years. The depreciation expense is recognized in marketing and operating expenses in the statement of income.

An intangible asset is derecognized when it is disposed of or when no future economic benefits are expected from its use or disposal.

Unearned Commissions
Commissions are paid when new business is placed but are incurred over a 2-year period and subject to recapture prior to 2 years.

Prepaid Assets

Prepaid Assets includes amounts paid to *ivari*'s primary outsourced services provider to modernize *ivari*'s legacy administration systems, while providing policy administration, customer support services and digital new business capabilities. The asset will be amortized over the remaining life of the related service agreement. As well, future system license and maintenance costs paid in advance are included as prepaid assets and will be amortized as the services are used.

(xv) Impairment of Accounts Receivable, Property and Equipment and Intangible Assets

Accounts receivable are tested annually for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due.

A property and equipment item or an intangible asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. The impairment loss is calculated as the difference between the carrying and the recoverable amount of the asset, which is the higher of the value-in-use of the asset and its fair value less cost to sell. The value-in-use represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset and reflects its known inherent risks and uncertainties.

Impairment losses are charged directly to net income (loss).

Impairment losses are reversed when there is evidence that there has been a change in the estimates used to determine the recoverable amount of the asset since recognition of the last impairment loss. The reversal is recognized in net income to the extent that it reverses impairment losses previously recognized in net income. The carrying amount after reversal would not exceed the amount that would have been recognized had there been no impairment.

(xvi) Revenue Recognition

Premiums for all types of insurance contracts and service contracts are generally recognized as revenue when due. When premiums are recognized, insurance contract liabilities are computed, with the result that benefits and expenses are matched with such revenue.

Fee income earned over time from the management of segregated fund assets is determined based on asset values and previously established fee rates. The majority of such fee income is variable and is recognized as revenue when it is highly probable that a significant reversal will not occur.

Other income includes commissions earned by the Company's captive brokerage channel for the sale of insurance products and is recognized when earned.

Premiums and commission revenues are recognized as revenue when due from the ceding companies. Commission revenues are reported as Other income.

Under the legal right of offset provision in the reinsurance treaties, the Company can withhold payments for allowances and claims for unpaid premiums.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(a) Significant Accounting Policies (continued)

(xvii) Net Investment Income

Interest income is recognized in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions are an integral part of the effective yield of the financial asset or liability and are recognized as an adjustment to the effective interest rate of the instrument.

Dividends as well as mutual funds and ETF distributions are recognized when declared.

Realized gains (losses) on the sale of financial assets are recorded in net income and are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Investment expenses are comprised of administration expenses, both internal and external, as well as expenses related to investment income and are recognized in net income as they accrue.

(xviii) Related Party Transaction

The Company enters into transactions with related parties in the normal course of business. Transactions are at market terms and conditions, except for service fees, which are charged at a cost equivalent to the cost incurred in providing these services.

(xix) Leases

The Company recognizes right-of-use assets and lease liabilities at the commencement date of its lease and sublease agreements. The right-of-use assets are presented as part of other assets on the statement of financial position and lease liabilities are presented as other liabilities. Depreciation charges for the right-of-use assets and interest on the lease liabilities are recognized as operating expenses in the year to which they relate. Short-term leases and leases of low value assets are expensed.

(xx) Deferred Compensation Payments

ivari provides a cash-based deferred compensation plan to certain levels of management employees. The estimated award is expensed over the 48 month vesting period and any adjustments to the expected award are recognized as they are determined. The final award amount is payable paid approximately 4 years following the end of year in which it is earned.

(xxi) Contributed Capital

The Company records contributed additional capital in contributed capital at fair value.

(xxii) Policy Benefits and Claims

Gross Benefits and Claims

Gross benefits for insurance contracts include the cost of all benefits arising during the year as well as all costs that are directly related to the processing and settlement of benefits and claims.

Claims Ceded to Reinsurers

Amounts recoverable from reinsurers are estimated in a manner consistent with liabilities associated with the reinsured policies. Amounts recoverable from reinsurers are assessed at least annually for impairment.

(xxiii) Sales Taxes and Premium Taxes

Expenses and assets are recognized net of the amount of related sales taxes in the following two instances:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Some receivables and payables include the related amount of sales tax.

Outstanding net amounts of sales or premium taxes recoverable from, or payable to, the taxation authorities are included as part of other assets or other liabilities in the consolidated statement of financial position.

(b) Other Accounting Policy Changes

The following standards and amendments are applicable to the Company subsequent to 2022:

(i) IFRS 9 *Financial Instruments* (“IFRS 9”)

The Company has adopted IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”) effective January 1, 2023. Although permitted by the standard, *ivari’s* regulator OSFI did not require adoption in advance of IFRS 17 and therefore the Company did not elect early adoption of the standard. As permitted by the standard, the Company has elected to adopt IFRS 9 with no restatement of comparative period financial information.

In July 2014, the IASB issued the final version of IFRS 9 to replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The classification and measurement of financial assets depends on the financial asset’s contractual cash flow characteristics and the entity’s business model for managing the asset. For financial instruments not measured at fair value through profit or loss (“FVTPL”), IFRS 9 introduces an impairment model that requires recognition of expected loss from possible default events in the near term as well as recognition of lifetime expected loss if certain criteria are met.

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(b) Other Accounting Policy Changes (continued)

(i) IFRS 9 *Financial Instruments* ("IFRS 9") (continued)

A new model for hedge accounting aligns hedge accounting more closely with the entity's risk management activities by increasing the eligibility of both hedged items and hedging instruments, and introducing a more principles-based approach to assess hedging effectiveness.

The Company has applied the IFRS 9 requirements by adjusting our Statement of Financial Position as at January 1, 2023, the date of initial application.

The adoption of IFRS 9 has resulted in differences in the classification of financial assets when compared to our classification under IAS 39. The most significant change includes approximately $624,000 of invested assets classified as AFS to be reclassified as FVTPL. As a result, there has been a $6,000 reclassification from AOCI to Retained Earning in Shareholder's Equity. The Company's invested assets continue to be carried at fair value under IAS 39, so the transition to IFRS 9 did not result in any impairments being booked to retained earnings as at January 1, 2023.

(ii) IFRS 17 *Insurance Contracts* ("IFRS 17")

In May 2017, the IASB issued IFRS 17 to establish a comprehensive global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020. IFRS 17 replaced IFRS 4 Insurance Contracts ("IFRS 4") changing the fundamental principles used by the Company for recognizing and measuring insurance contracts. IFRS 17 will also change the presentation and related note disclosures of the Company's financial statements.

IFRS 17 became effective on January 1, 2023 with a transition date of January 1, 2022. Although permitted by the standard, *ivari's* regulator OSFI did not allow early adoption and therefore the Company did not elect early adoption of the standard. IFRS 17 requires that the Company apply the standard retrospectively unless impracticable, in which case the Company may elect to use a modified retrospective or fair value method. The Company has determined that it is impracticable to apply the retrospective method to business sold prior to January 1, 2021 and has elected to apply the fair value method for business in-force before that date.

The Company will present a full set of IFRS 17 based financial statements and results, including appropriate comparatives, with its December 31, 2023 results. Given the timing of this reporting, the Company has completed its IFRS 17 calculations as at December 31, 2022 and is able to provide key highlights of the qualitative and quantitative impacts of adopting IFRS 17, as well as a summary of the key IFRS 17 accounting policies the Company has adopted. The analysis below represents the Company's best estimates of outcomes, based on information available.

Overall, the impact to the Company's equity upon transition on January 1, 2022 to IFRS 17 is a reduction of approximately $724,000. The primary drivers of these changes include:

- Changing from the Canadian Asset Liability Method ("CALM") under IFRS 4 to the insurance contract liability valuation approaches required by IFRS 17, specifically related to discount rates, removal of the amount of discounted deferred tax liability, including the present value of tax credits related to Canadian equity dividend income, and changes to the provision for adverse deviation ("Pfads") related to financial risk, resulted in an increase in insurance contract liabilities of $1,188,000, net of reinsurance ($645,000)before accounting for the CSM, described below;
- Deferral of previously recognized gains on insurance contracts as contractual service margin ("CSM"). CSM will be a component of insurance contract liabilities which will subsequently be recognized into income over the remaining service period of the insurance contracts. However, any expected losses on onerous groups of contracts within the Company's in-force business have been recognized in the restated equity balance. The CSM balance, which also increases insurance contract liabilities of $741,000, net of reinsurance ($310,000); and
- Tax impacts on the above ($250,000).

The Company has evaluated the impact of IFRS 17 on 2022 net income and has determined there to be notable movements in several income components with an overall increase in underlying net income during 2022, which will be presented as the comparative period in the 2023 financial statements. The primary drivers of this change include:

- Discount rates under IFRS 17 are no longer connected to asset yields. Accordingly, the accretion on insurance contract liabilities and asset returns emerge differently than under CALM.
- New business gains are not recognized upon initial recognition of an insurance contract, but rather deferred as CSM and amortized into profit over the life of the contract.
- The recognition of CSM into income in 2022 from insurance contracts written prior to the date of transition.
- The recognition of losses from any onerous contracts written in 2022.

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(b) Other Accounting Policy Changes

(ii) IFRS 17 *Insurance Contracts* ("IFRS 17") (continued)

- Risk Adjustment ("RA") under IFRS 17 is lower than the Pfads under IFRS 4 as they do not include a financial risk component. Accordingly, less income from the run-off of these provisions emerge into income and less is established on business sold during the year.

As the Company has finalized its application of the IFRS 17 standard the following transition and on-going accounting policy choices and elections will be applied:

- Scope - IFRS 17 includes scope exemptions for specific types of contracts. There has been no significant change in the scope of insurance contracts between IFRS 4 and IFRS 17.
- Transition - The Company has determined that a full retrospective application of IFRS 17 is impracticable for much of the Company's in-force business. The Company has assessed that for all insurance and reinsurance contracts, IFRS 17 can only be applied retrospectively from January 1, 2021 onward. The Company has used a fair value approach to determine a January 1, 2022 fair value of insurance contracts that were in-force both at December 31, 2020 and the transition date. The primary drivers of impracticability are related to gaps in data and the use of hindsight, consistent with the principles of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.
- Level of aggregation - Under IFRS17, the Company determines its level of aggregation for its insurance contracts by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar insurance risks which are managed together. Portfolios are further divided based on each contract's expected profitability at inception. While three potential expected profitability levels are defined under IFRS 17, the Company has determined that none of the insurance contracts it issues have significant risk of becoming onerous and therefore the Company only separates contracts between those that are expected to be onerous contracts (where fulfillment cash outflows for non-financial risk exceed fulfillment cash inflows on a present value basis), and the remainder of contracts. The Company evaluates the expected profitability of each contract at issue so that it may be grouped appropriately. The Company evaluates the expected profitability of each new contract issued by comparing its specific policy characteristics, including coverage, age, amount and smoker status to a predefined modeled profitability of a similar contract. The Company uses its actuarial and pricing models to establish the predefined profitability expectations and regularly reviews or refines these expectations based on changes in experience. The Company has defined portfolios of insurance contracts in keeping with its major product lines: Universal Life, Term Life, Critical Illness contracts, Single Premium Immediate annuities, ab=nd Segregated Funds. Contracts are further separated by calendar year of issue, except those contracts which were transitioned to IFRS 17 under the fair value approach. In that instance, the groups include contracts issued more than one year apart. The Company groups its insurance contracts issued, and reinsurance contracts held portfolios separately but in a consistent manner.
- Measurement models - IFRS 17 introduces three measurement models for groups of insurance contracts. Insurance contract liabilities for each group of insurance contracts represent the sum of the liability for incurred claims and liability for remaining coverage. Each measurement model provides requirements around how to measure the liability for remaining coverage while the liability for incurred claims is generally measured consistently across the models.
  - General Measurement Model ("GMM"): The GMM measures groups of insurance contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as it fulfils insurance contract obligations, an explicit risk adjustment for non-financial risk and a CSM. The CSM represents the present value of the unearned profit for a group of insurance contracts and will be recognized into income over the coverage period as the Company provides insurance contract services. The Company has elected to use the GMM for all insurance contracts except for those it manages as Segregated Funds.
  - Variable Fee Approach (VFA): The VFA is a modified model for insurance contracts that primarily provide investment related services to the policyholders. This model differs from the GMM upon subsequent measurement and reflects the nature of the Company's services being substantially investment related. Only the Company's Segregated Fund contracts are measured under the VFA model.
  - Premium Allocation Approach (PAA): Under IFRS 17, the PAA introduces an optional simplified measurement model compared to the GMM for short

duration contracts. The Company does not have any short duration contracts and therefore does not apply PAA.

- Discounting - IFRS 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows. The methodology for determining the discount rate is not prescribed but the Company has established that they will be based on a risk-free rate plus an illiquidity premium reflective of the cash flow characteristics of the respective insurance contracts. This will represent a significant difference in practice from the CALM under IFRS 4.

2. Significant Accounting Policies and Accounting Policy Changes (continued)

(b) Other Accounting Policy Changes (continued)

(ii) IFRS 17 *Insurance Contracts* ("IFRS 17") (continued)

- Risk adjustment - The measurement of insurance contract liabilities includes a risk adjustment for non-financial risks which replaces the Pfad risk margin applied under IFRS 4. The IFRS 4 risk margin reflects the inherent uncertainty in the net discounted claim liability estimates, whereas the IFRS 17 risk adjustment for non-financial risk is the compensation the Company requires for bearing the uncertainty that arises from non-financial risks. Similar to the risk margin under IFRS 4, the risk adjustment includes the benefits of diversification. The Company has applied a margin approach, similar to the IFRS 4 practice, for its non-financial variables (i.e. mortality, morbidity, lapse, expense, etc.).
- Onerous contracts - IFRS 17 requires the identification of groups of onerous contracts. When onerous contracts are identified, the Company is required to recognize a loss immediately in the statement of profit or loss along with an increase in the insurance contract liability known as a "loss component" to appropriately reflect the timing of losses.
- Reinsurance contracts held - The Company has applied GMM to reinsurance contracts held, adapted to reflect the characteristics of such contracts, including any risk of non-performance of the reinsurer. For reinsurance held using the GMM, the CSM reflects either a net cost or net gain on purchase of reinsurance instead of unearned profit, and if the treaty was in place prior to recognizing underlying direct insurance contracts that are onerous, GMM would offset a portion of those losses on initial recognition of those underlying direct insurance contracts.
- Presentation and disclosure - IFRS 17 introduces changes to the way in which the Company will present and disclose financial results. Similar to IFRS 4, reinsurance contracts held have been presented separately from the direct insurance contracts issued. On the statement of financial position, insurance contracts and reinsurance contracts held have been presented separately from those portfolios of insurance contracts that are in an asset versus a liability position. The statement of financial performance no longer includes premiums written, instead it includes an insurance service result comprising insurance revenue and insurance service expenses. Insurance finance income or expense will be presented within the investment results. The Company's notes to the financial statements are required to include certain disclosures including the insurance contract liability roll-forward schedules as well as disclosure information on discount rates, new business impacts and the expected emergence pattern of CSM.

The IASB issued other revised standards and exposure drafts effective for annual periods starting beyond January 1, 2022. Adoption of these amendments is not expected to have a significant impact on the Company's Consolidated Financial Statements.

3. Risk Management and Control Practices

Enterprise Risk Management ("ERM") provides the framework under which all risk management activities within the Company are coordinated. The objective of ERM is to ensure that significant risks are identified, risk limits are defined, risks are appropriately managed, and that risk management activities are properly monitored within a given set of established risk tolerances on an ongoing basis. The Company has in place an established organization, framework, policies and procedures for managing the significant risks associated with its business.

The Board is ultimately responsible for the Company's risk management and it regularly monitors risk management policies and practices.

The Company follows specific risk management practices and these are described below. Risks that related only to *ivari* have been identified specifically. For *ivari*, the Investment and Risk Committee ("IRC") and the Audit and Conduct Review Committee ("ACRC") of the Board facilitate the Board's risk management monitoring as part of their mandates. Further, an Own Risk and Solvency Assessment Report ("ORSA") has been approved by the Board. This report consolidates documentation and assessments of *ivari's* ERM framework as well as documentation about the development of internal targets and capital needs.

Risk Identification, Monitoring and Measurement

ivari's Risk and Capital Committee ("RCC") oversees, monitors and ensures appropriate risk taking and risk management decisions, with the authority to adjust or limit risk positions in line with the Company's defined risk strategy and established risk tolerances. The RCC provides a high level of assurance to the ACRC and the IRC that risk taking is in compliance with the defined risk management framework, policies and guidelines.

ivari risk management, under the direction of the *ivari's* Chief Risk Officer, plays a key role in the achievement of the Company's risk management and governance objectives. Working with the RCC, Risk Management proactively identifies and assesses financial, credit and operational risks facing the Company and oversees the development of plans to manage and mitigate these risks into the future. It promotes a risk management culture within the Company and ensures current risk management policies and procedures are appropriate for the circumstances of the Company and meet applicable regulatory standards. Risk Management works with Company management to articulate the risk appetite and risk profile of the Company.

3. Risk Management and Control Practices (continued)

Risk Identification, Monitoring and Measurement (continued)

ivari's Internal Audit function develops short-and long-term audit plans, giving consideration to the inherent and residual risks of ongoing business processes and the impact of the changing internal and external environments, with the input of the RCC and the ACRC. Audits are conducted in accordance with this plan, independently assessing the effectiveness and efficiency of risk management policies and processes designed to: identify, measure and mitigate risks; provide accurate, timely and reliable financial and operating information; safeguard assets; and support compliance with regulatory and other legislative requirements.

ivari employs a continuous process for extreme event monitoring, which includes the use of Capital at Risk Target Ranges, quarterly shock testing and annual Financial Condition Testing ("FCT"). FCT acts as a stress testing technique. The Capital at Risk framework identifies the Company's risk appetite to various market and underwriting risks to which the Company is exposed. Both downside and upside shocks are modeled. The framework allows management to identify risks which are material and develop appropriate action plans to mitigate these risks. The FCT analyzes the Company's regulatory capital adequacy over a five year projected timeframe by stress testing a number of significantly adverse but plausible scenarios. FCT testing allows for harmonization with ORSA.

The Company manages its risks in accordance with risk management policies, approved annually by the RCC, the ACRC or the Board, as applicable. These policies set out general principles, accountabilities, risk limits and reporting requirements for the measurement and management of risks the Company faces.

(a) Risks relating to the COVID-19 Pandemic

Management continues to monitor the potential for heightened risk related to higher-than-expected mortality and morbidity claims and adverse policyholder behaviour from the COVID-19 pandemic.

While there remains uncertainty in the Company's COVID-19-related mortality and morbidity claims experience, the Company benefited from reinsurance and has not experienced any significant losses to date.

(b) Credit Risk

Credit risk is the risk of loss from not receiving amounts owed by the Company's financial counterparties. The Company is subject to credit risk in connection with issuers of securities held in the Company's investment portfolio, debtors, reinsurers and derivative counterparties. Losses may occur when a counterparty fails to make timely payments pursuant to the terms of the underlying contractual arrangement or when the counterparty's credit rating or risk profile deteriorates. Credit risk can also arise in connection with deterioration of, or the Company's ability to realize the value of, an underlying security that is used to collateralize a debt obligation. Credit risk can occur at multiple levels as a result of broad economic conditions, challenges with specific sectors of the economy or from issues affecting individual companies. Events that result in defaults, impairments or downgrades of the securities in the Company's investment portfolio would cause the Company to record realized or unrealized losses and may increase provisions for asset default, adversely impacting earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

3. Risk Management and Control Practices (continued)

(b) Credit Risk (continued)

(i) Credit Risk Governance and Control

- The Company manages exposure to credit risk by establishing concentration limits by counterparty, credit rating and asset class. To further minimize credit risk, the financial condition of the counterparties is monitored on a regular basis. These requirements are outlined in the Investment Policy and associated materials.

(ii) Concentration of Credit Risk for Financial Instruments

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, such as groups of debtors in the same economic or geographic regions or in similar industries. The following tables provide the carrying values of bonds and debentures by industry sector.

	December 31, 2022		
	Fair Value Through Profit or Loss	Available-for-sale	Total
Government	$ 1,572,368	$ 470,016	$ 2,042,384
Financial	335,617	54,514	390,131
Communications	750,828	39,458	790,286
Utilities	743,564	28,769	772,333
Consumer	544,761	13,732	558,493
Industrial	387,668	17,594	405,262
Energy	459,669	-	459,669
Other	66,280	-	66,280
Total	$ 4,860,755	$ 624,083	$ 5,484,838

	December 31, 2021		
	Fair Value Through Profit or Loss	Available-for-sale	Total
Government	$ 1,369,196	$ 691,912	$ 2,061,108
Financial	481,293	61,056	542,349
Communications	803,662	45,566	849,228
Utilities	781,026	34,926	815,952
Consumer	655,774	17,030	672,804
Industrial	420,904	21,258	442,162
Energy	473,407	-	473,407
Other	80,595	-	80,595
Total	$ 5,065,857	$ 871,748	$ 5,937,605

(iii) Assets Default Risk

The following tables provide the carrying values of bonds and debentures by credit rating.

	December 31, 2022			
Bond Ratings	Fair Value Through Profit or Loss	Available-for-sale	Total	Percent of Portfolio
AAA	$ 192,697	$ 79,228	$ 271,925	4.96%
AA	1,346,912	406,372	1,753,284	31.97%
A	1,244,844	48,180	1,293,024	23.57%
BBB	2,058,489	90,303	2,148,792	39.18%
BB or lower	17,813	-	17,813	0.32%
Total	$ 4,860,755	$ 624,083	$ 5,484,838	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

3. Risk Management and Control Practices (continued)

(b) Credit Risk (continued)

(iii) Assets Default Risk (continued)

December 31, 2021				
Bond Ratings	Fair Value Through Profit or Loss	Available-for-sale	Total	Percent of Portfolio
AAA	$ 131,020	$ 112,288	$ 243,308	4.10%
AA	1,181,380	595,769	1,777,149	29.93%
A	1,363,154	53,405	1,416,559	23.86%
BBB	2,390,303	110,286	2,500,589	42.11%
Total	$ 5,065,857	$ 871,748	$ 5,937,605	100.00%

(iv) Loans Past Due

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received but management has reasonable assurance of the timely collection of the full amount of principal and interest due. As at December 31, 2022, there were no loans where either the principal or interest was past due (2021 - nil).

(v) Derivative Financial Instruments by Counterparty Credit Rating

Credit risk from derivative transactions is generated by the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Company. Therefore, derivative-related credit risk is represented by the positive fair value of the instrument and is normally a small fraction of the contract's notional amount.

The following table summarizes derivative financial instruments with a positive fair value by counterparty rating.

	December 31, 2022	December 31, 2021
A	$ 1,096	$ 558
Total	$ 1,096	$ 558

(vi) Credit Risk for Reinsurance

The following table summarizes the potential maximum exposure to loss of reinsurance assets, by reinsurer rating assigned by external rating agencies.

	December 31, 2022			December 31, 2021		
	Reinsurance Assets	Collateral from Reinsurers	Net Exposure	Reinsurance Assets	Collateral from Reinsurers	Net Exposure
AA	$ 2,392,959	$ 1,141,556	$ 1,251,403	$ 2,718,555	$ 1,379,137	$ 1,339,418
A	(177,143)	-	(177,143)	(111,735)	-	(111,735)
Total	$ 2,215,816	$ 1,141,556	$ 1,074,260	$ 2,606,820	$ 1,379,137	$ 1,227,683

(c) Market Risk

The Company is exposed to significant financial and capital market risk, the risk that the fair value or future cash flows of an insurance contract or financial instrument will fluctuate because of changes in market prices. Market risk includes equity risk, interest rate risk, and currency risk.

Equity Risk

Equity risk is the potential adverse impact on the Company's earnings or capital due to movements in individual equity prices or general movements in the value of the stock market. *ivari* is exposed to equity risk through direct investment in equities, through the guarantees within its products, and through the impact of policyholder funds invested in accounts which track external equity-related indices. The exposure to equity risk arising from death and maturity guarantee provisions included in *ivari*'s segregated funds contracts, as summarized in the table in Note 3(c)(ii), has declined in recent years due to a de-emphasis of segregated funds sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

3. Risk Management and Control Practices (continued)

(c) Market Risk (continued)

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from changes or volatility in interest rates or credit/swap spreads when asset and liability cash flows do not coincide. The Company is exposed to interest rate risk when the cash flows from assets and the policy obligations they support are significantly mismatched, as this may result in the need to either sell assets to meet policy payments and expenses or reinvest excess asset cash flows in unfavourable interest rate environments. The impact of changes or volatility in interest rates or credit/swap spreads are reflected in the valuation of the Company's financial assets and insurance contract liabilities. The interest rate guarantee provisions included in *ivari*'s universal life contracts, summarized in Note 3(c)(iii), represent one of the Company's most significant exposures to interest rate risk. If *ivari*'s investment returns fall below the guaranteed interest rates, it may have to increase liabilities in respect of its universal life contracts.

Currency Risk

Currency risk is the potential for economic loss associated with fluctuations in the market values of assets or liabilities due to foreign exchange rate movements that are not fully passed through to the policyholders. As at December 31, 2022 and 2021, the Company has minimal exposure to currency risk.

(i) Market Risk Management, Governance and Control

The Company manages its interest rate, equity and currency risks though tolerance limits and control activities outlined in its Asset-Liability Risk Management and Enterprise Risk Management Policies. Key controls defined by management, which are utilized in the management and measurement of market risk are outlined below.

- Risk appetite and target ranges have been established for market risk.
- Ongoing monitoring and reporting of market risk sensitivities against established risk target ranges is performed.
- Related risk management policies, guidelines and procedures are in place.
- *ivari's* Asset-Liability Management working group oversees key market risk strategies and tactics, reviews compliance with applicable policies and standards and reviews investment and hedging performance.
- Hedging and asset-liability management programs are maintained in respect of key market risks.
- Product development and pricing policies require a detailed risk assessment and pricing provisions for material market risks.
- Use of foreign exchange derivative contracts such as currency swaps and forwards to mitigate exposure outside of established risk target ranges.
- Stress testing techniques, such as FCT, are used to measure the effects of significant and sustained adverse market movements.
- Insurance contract liabilities are established in accordance with standards set forth by the ASB and guidance provided by the CIA.
- Target capital levels that exceed regulatory minimums have been established.

The following table outlines the impact on the Company's net income and OCI resulting from specific changes in interest rate and equity market prices as at December 31 assuming all other variables remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

3. Risk Management and Control Practices (continued)

(c) Market Risk (continued)

(i) Market Risk Management, Governance and Control (continued)

	Estimated Impact on Net Income		Estimated Impact on OCI		Estimated Impact on Total Equity	
	2022	2021	2022	2021	2022	2021
Change in equity markets[1]						
10% increase	$ 72,700	$ 49,800	$ 100	$ 100	$ 72,800	$ 49,900
10% decrease	(75,300)	(53,600)	(100)	(100)	(75,400)	(53,700)
20% increase	145,900	101,900	100	100	146,000	102,000
20% decrease	(154,500)	(115,000)	(100)	(100)	(154,600)	(115,100)
Changes in interest rates[2]						
1% increase in yield curve	$ (62,900)	$ 20,200	$ (73,100)	$ (114,900)	$(136,000)	$ (94,700)
1% decrease in yield curve	81,500	(40,500)	91,300	146,000	172,800	105,500
2% increase in yield curve	(110,100)	37,300	(131,800)	(205,600)	(241,900)	(168,300)
2% decrease in yield curve	173,600	(110,000)	205,800	263,400	379,400	153,400

[1] Represents the impact of an immediate change in the equity markets as at December 31. Income impacts are net of changes in the supporting assets and any hedge recoveries, including projected changes in future hedge costs. A 25.83% effective tax rate (2021 - 25.82%) is assumed to estimate after-tax income.

[2] Represents the impact of an immediate parallel shift in the yield curve for all durations, subject to a 0% floor. A 25.83% effective tax rate (2021 - 25.82%) for *ivari* was used to estimate after-tax income.

(ii) Segregated Funds Guarantees and Hedging Strategy

The guarantee provisions included in *ivari*'s segregated funds contracts represent one of *ivari*'s exposures to market risk. These guaranteed benefits are linked to underlying fund performance and may be triggered upon death, maturity or withdrawal. *ivari* established insurance contract liabilities for these guaranteed benefits which reflect the market value of certain hedge instruments as well as the cash flows from these hedge instruments that are available to pay for the guarantees.

ivari uses a semi-static hedge program to significantly reduce exposure to equity risk in its segregated funds. *ivari* has hedged about 100% (2021 - 100%) of the segregated fund equity exposure and 100% of the currency exposure as measured on an economic basis.

See Note 6(b) for a table summarizing the derivatives used in *ivari*'s hedging programs.

The following table provides information with respect to the maturity, death and withdrawal benefit guarantees provided in *ivari*'s in-force segregated fund policies as at December 31.

	December 31, 2022			December 31, 2021		
	Guarantee Value	Fund Value	Amount at Risk	Guarantee Value	Fund Value	Amount at Risk
Maturity Benefit	466,117	822,275	3,363	516,560	1,041,232	116
Death Benefit	771,420	822,275	42,800	855,407	1,041,232	851
Withdrawal Benefit	331,683	822,275	102,977	340,034	1,041,232	59,818

(iii) Universal Life Minimum Interest Guarantees

The following table shows the total fund value of universal life policyholder funds by the guaranteed interest rates.

	Fund Value[1]	
	December 31, 2022	December 31, 2021
No guarantee	$ 69,496	$ 71,715
Up to 2%	113,283	110,208
Above 2% and up to 3%	194,492	181,617
Above 3% and up to 4%	685,804	660,771
Total	$ 1,063,075	$ 1,024,311

[1] The Fund Value excludes balances where the credited rate is tied to the policy loan rate.

3. Risk Management and Control Practices (continued)

(c) Market Risk (continued)

(iv) Exchange-traded funds

ivari invests in ETFs, tracking various global market indices, to support policyholder funds invested in such indices. *ivari* also invests in ETFs on the Canadian equity market to support some of its longer duration insurance contract liabilities. The notional amount of the latter as at December 31, 2022 is $0 (2021- $735,281).

(v) Embedded Derivatives

A host contract that includes an identifiable condition to modify the cash flows that are otherwise payable is said to contain an embedded derivative. The death and maturity guarantee provisions included in *ivari*'s segregated fund contracts as well as the interest and market index guarantee provisions included in *ivari*'s universal life contracts have been identified as embedded derivatives, and represent *ivari*'s most significant exposure to market and interest rate risk.

The economic characteristics and risks associated with the death and maturity guarantee provisions in *ivari*'s segregated fund contracts have potential for significant insurance risk. Consequently, these embedded derivatives are considered to be insurance contracts and are reported as such.

The economic characteristics and risks of the interest guarantee provisions included in *ivari*'s universal life contracts are closely linked to the economic characteristics and risks of the host universal life contracts. Consequently, these embedded derivatives are not reported separately.

Embedded derivatives also arise from the market index options included in *ivari*'s universal life contracts. These contracts allow the policyholder to select an interest-credited rate that is tied to the movement of certain market indices. As the returns of the index are passed directly to the policyholders, these embedded derivatives do not expose *ivari* to any equity risk. The economic characteristics and risks of these embedded derivatives are not closely linked to the economic characteristics and risks of the host universal life contracts, and thus these embedded derivatives are reported separately. See Note 6 for further details.

(d) Liquidity Risk

Liquidity risk is the potential for economic loss arising from the Company being unable to maintain cash flows that are adequate to fund the day-to-day operations of the Company, as well as meet all present and future financial obligations as they fall due.

(i) Liquidity Risk Management, Governance and Control

The Company manages its liquidity risk through liquidity ratio tolerance limits and risk mitigation activities outlined in its Liquidity Risk Management Policy. Risk mitigation activities primarily involve managing cash flows so as to ensure that cash inflows are sufficient to meet cash outflows, taking into consideration the liquidity of the Company's assets.

Key controls defined by management, which are utilized in the management and measurement of liquidity risk are outlined below.

- Cash management and asset-liability management programs ensure that sufficient cash flow and liquid assets are available to cover potential funding requirements. The Company invests in various types of assets with a view of matching them to its liabilities of various durations.
- Target capital levels exceed regulatory minimums. The Company actively manages and monitors capital and asset levels, and the diversification and credit quality of its investments.
- The Company maintains various credit facilities for general corporate purposes.
- The Company's contingency plan to mitigate the impact of a liquidity crisis includes the sale of highly liquid securities. If further action is required, Proj Fox will work with its parent to facilitate capital contributions.

As at December 31, 2022 and 2021, the Company maintained sufficient liquidity to cover all cash flow needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

3. Risk Management and Control Practices (continued)

(d) Liquidity Risk (continued)

(ii) Maturity of, Liabilities and Commitments

In the normal course of business, the Company enters into contracts that give rise to future obligations, and the timing of payments for certain liabilities is shown below.

	December 31, 2022				
	Less than 1 year	1-5 years	5-10 years	After 10 years	Total
Liabilities[1] and Lease Commitments[3]					
Undiscounted Investment contract liabilities	$ 4,928	$ 9,603	$ 955	$ 301	$ 15,787
Reinsurance payables	10,121	-	-	-	10,121
Derivative liabilities	498	-	-	-	498
Undiscounted other liabilities	157,161	325,908	423,909	1,911,575	2,818,553
Undiscounted insurance contract liabilities[1, 2]	(60,254)	129,082	1,545,866	34,647,889	36,262,583
Other insurance contract liabilities[1]	-	-	-	-	160,095
Subtotal	112,454	464,593	1,970,730	36,559,765	39,267,637
Leases[3]	2,885	10,662	3,564	-	17,111
Total	$ 115,339	$ 475,255	$ 1,974,294	$ 36,559,765	$ 39,284,748

	December 31, 2021				
	Less than 1 year	1-5 years	5-10 years	After 10 years	Total
Liabilities[1] and Lease Commitments[3]					
Undiscounted Investment contract liabilities	$ 6,700	$ 11,887	$ 1,226	$ 374	$ 20,187
Reinsurance payables	6,924	-	-	-	6,924
Derivative liabilities	368	-	-	-	368
Undiscounted other liabilities	136,165	309,973	429,885	1,993,569	2,869,592
Undiscounted insurance contract liabilities[1, 2]	(18,623)	250,682	1,507,182	36,949,132	38,688,373
Other insurance contract liabilities[1]	-	-	-	-	145,765
Subtotal	131,534	572,542	1,938,293	38,943,075	41,731,209
Leases[3]	3,161	13,629	8,094	-	24,884
Total	$ 134,695	$586,171	$1,946,387	$ 38,943,075	$ 41,756,093

[1] Payments are based on maturity dates and actual settlement of the obligations could occur earlier than shown. Where timing cannot be estimated, only a total is shown.

[2] Undiscounted insurance contract liabilities are determined using the estimated cash flows on in-force contracts that are used in the determination of insurance contract liabilities without being discounted with interest. Future segregated fund obligations have not been offset by the impact of *ivari*'s hedge program. For further information, see Note 6(b).

[3] Leases are discussed in Note 9.

The composition of other liabilities is described in Note 10; all are expected to be settled in less than 5 years, except lease liabilities which is included in table above and amounts on deposit from reinsurers which is detailed in Note 10(a).

(e) Insurance Risk

Insurance risk is the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced with respect to mortality and morbidity claims, policyholder behaviour and expenses. It also includes loss resulting from selecting and classifying risks to be insured, the adjudication of claims, the management of contractual product options and the use of reinsurance.

The Company manages its insurance risk through its Underwriting Risk Management Policy, Claims Risk Management Policy, Reinsurance Risk Management Policy and Product Design and Pricing Risk Policy. These policies are approved annually by *ivari's* RCC. These policies set out general principles, accountabilities, risk limits and reporting requirements for the measurement and management of underwriting, claim, reinsurance, product design and pricing risks.

Key controls defined by management, which are utilized in the management and measurement of insurance risk are outlined below.

- Insurance contract liabilities are established in accordance with standards set forth by the ASB and guidance provided by the CIA.
- Target capital levels have been established that exceed regulatory minimums.
- Board-approved maximum retention limits mean that insurance amounts issued in excess of these limits are reinsured.

3. Risk Management and Control Practices (continued)

(e) Insurance Risk (continued)

- Various limits, restrictions and fee structures may be introduced into plan designs in order to establish more homogeneous policy risk profiles and limit the potential for anti-selection.
- Well-defined underwriting and risk selection standards are regularly monitored and audited by the Company, its reinsurers and the Medical Insurance Bureau for Canadian risks.
- Approval limits are established for underwriting staff based on education and experience.
- Review and monitoring are conducted of persistency, agents' conduct and complaints.
- Diversification and risk pooling is managed by aggregation of broad exposures across product lines, geography, distribution channels, etc.
- Well-defined claims adjudication procedures provide guidelines to effectively manage when claims are to be paid, declined or when further investigation is required to make a decision.
- Claims authority levels are based on staff qualifications and technical experience.
- Reviews and audits of submitted claims are performed by the Company's reinsurers.
- Periodic mortality reports providing detailed break-downs of settled claims are prepared.
- Experience studies (both Company specific and industry level) and Source of Earnings analyses are regularly conducted and factored into the valuation of insurance contract liabilities as well as product pricing practices.
- The Company is tracking COVID-19 related deaths and evaluating whether there are any trends that would need to be addressed.
- Stress testing techniques, such as FCT, are used to measure the effects of significant and sustained adverse movements in insurance risk factors.

(f) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and controls, people and systems or from external events. Operational failures can lead to involuntary one-time losses, inefficiencies resulting in recurring losses, reputation damage or lost opportunities.

Operational risk exposure is maintained within defined operational risk tolerances. To ensure that operational risk exposure is maintained within the tolerance limits, and that the Company has a complete understanding of the risk issues and risk events that can affect its operational risk profile, a number of activities are carried out.

The Company uses key risk indicators to measure and monitor its business processes and key operating activities.

The operational risk management program also includes quarterly risk and mitigation reviews. From this process, a quarterly report is provided to management that captures: the nature and magnitude of all significant operational risks; the processes, policies, procedures and controls in place to manage these significant operational risks; and, the overall effectiveness of the operational risk management process, including highlighting any operational risk management issues and the actions that have been or will be taken to address them.

ivari's Chief Compliance Officer provides a quarterly report to the ACRC which includes reasonable assurance that the Insurance Subs complies with relevant laws and regulatory requirements. In addition, internal auditors review the adequacy of the internal controls, reporting quarterly to management and the ACRC.

(g) Third-Party Risk

The Company engages in a variety of third-party relationships, including with distributors, outsourced service providers and suppliers. The Company's profitability or reputation could be impacted if these third parties are unable to meet their ongoing service commitments or fail to perform to expected standards.

Key controls utilized in the management of this risk are the implementation and assessed compliance of a Board-approved policy and guidelines which are consistent with OSFI's requirements to identify, assess, manage, monitor and report on third-party risk, and approval limits established on third-party arrangements. The Company monitors performance of its third parties in a manner that is commensurate to the size, risk, scope and complexity of the third-party relationship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

4. Portfolio Investments

(a) Invested Assets and Derivative Liabilities

Fair values for securities traded on recognized exchanges are determined by reference to quoted market prices. Fair values for investments not traded on recognized exchanges are based on either prevailing market prices for instruments with similar characteristics and risk profiles, or internal or external valuation models using observable market-based inputs, and individual factors such as interest rate yield curves, currency rates, and price and rate volatility, as applicable.

The carrying values, fair values and classification of the Company's cash and invested assets and derivative liabilities are summarized in the following table.

	Available-for-sale	Fair Value Through Profit or Loss	Held-for-Trading	Loans and Receivables	December 31, 2022 Total
	Fair Value	Fair Value	Fair Value	Amortized Cost	Carrying and Fair Value
Cash and cash equivalents	374	74,356	-	-	$ 74,730
Short-term investments	2,004	1,012,172	-	-	1,014,176
Bonds and debentures	624,083	4,860,755	-	-	5,484,838
Exchange-traded and	-	-	-	-	-
mutual funds	-	1,966,640	-	-	1,966,640
Loans to policyholders	-	-	-	132,980	132,980
Mortgage loans	-	-	-	7	7
Derivative assets	-	-	1,096	-	1,096
Other invested assets:					
Segregated funds seed units	871	-	-	-	871
Land leases	-	-	-	70	70
Futures margins	-	68,292	-	-	68,292
Accrued investment income	-	-	-	33,415	33,415
Total Invested Assets	627,332	7,982,215	1,096	166,472	$ 8,777,115
Derivative Liabilities	-	-	498	-	$ 498

	Available-for-sale	Fair Value Through Profit or Loss	Held-for-Trading	Loans and Receivables	December 31, 2021 Total
	Fair Value	Fair Value	Fair Value	Amortized Cost	Carrying and Fair Value
Cash and cash equivalents	7,949	56,356	-	-	$ 64,305
Short-term investments	11,141	834,039	-	-	845,180
Bonds and debentures	871,748	5,065,857	-	-	5,937,605
Exchange-traded and					
mutual funds	-	2,874,992	-	-	2,874,992
Loans to policyholders	-	-	-	134,349	134,349
Mortgage loans	-	-	-	16	16
Derivative assets	-	-	558	-	558
Other invested assets:					
Segregated Funds seed units	938	-	-	-	938
Land leases	-	-	-	290	290
Futures margins	-	122,010	-	-	122,010
Accrued investment income	-	-	-	31,574	31,574
Total Invested Assets	891,776	8,953,254	558	166,229	$ 10,011,817
Derivative Liabilities	-	-	368	-	$ 368

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

4. Portfolio Investments (continued)

(b) Cash and Cash Equivalents

Cash and cash equivalents are made up of the following:

	December 31, 2022	December 31, 2021
Cash	$ 42,641	$ 41,357
Cash equivalents	32,089	22,948
Cash and cash Equivalents	$ 74,730	$ 64,305

(c) Unrealized Gains (losses)

The following tables present the unrealized gains (losses) of investment assets designated as AFS.

	December 31, 2022			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	AOCI Before Tax
Cash equivalents	$ 374	$ -	$ -	$ -
Short-term investments	2,004	-	-	-
Bonds and debentures	624,083	12,999	(17,317)	(4,318)
Segregated funds seed units	871	596	-	596
Total	$ 627,332	$ 13,595	$ (17,317)	$ (3,722)

	December 31, 2021			
	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	AOCI Before Tax
Cash equivalents	$ 7,949	$ -	$ -	$ -
Short-term investments	11,141	-	(6)	(6)
Bonds and debentures	871,748	251,508	(128)	251,380
Segregated funds seed units	938	663	-	663
Total	$ 891,776	$ 252,171	$ (134)	$ 252,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

4. Portfolio Investments (continued)

(d) Bonds and Debentures

The following tables summarize the fair value and average yield of the Company's investment in bonds and debentures, by type of bond and term to maturity.

	December 31, 2022				
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Bonds and Debentures – Fair Value Through Profit or Loss					
Government – Federal					
Carrying value	$ -	21,195	12,675	83,298	117,168
Average yield	-	3.84%	3.29%	3.28%	3.39%
Government – Canadian Provincial					
Carrying value	$ -	33,079	37,230	1,382,679	1,452,988
Average yield	-	3.97%	4.15%	4.34%	4.32%
Government – Canadian Municipal					
Carrying value	$ -	608	672	933	2,213
Average yield	-	4.40%	4.10%	4.64%	4.41%
Corporate					
Carrying value	$ 1,483	23,779	227,818	2,684,526	2,937,606
Average yield	5.28%	5.27%	5.41%	5.47%	5.46%
Foreign Issuers					
Carrying value	$ -	-	-	350,780	350,780
Average yield	-	-	-	5.50%	5.50%
Total	$ 1,483	78,661	278,395	4,502,216	4,860,755
Bonds and Debentures – Available-for-sale					
Government – Federal					
Carrying value	$ 3,187	-	8,468	67,573	79,228
Average yield	4.27%	-	3.30%	3.34%	3.38%
Government – Canadian Provincial					
Carrying value	$ -	-	-	390,788	390,788
Average yield	-	-	-	4.31%	4.31%
Government – Canadian Municipal					
Carrying value	$ -	-	-	-	-
Average yield	-	-	-	-	-
Corporate					
Carrying value	$ 30,046	29,894	1,148	92,979	154,067
Average yield	5.00%	5.03%	4.95%	5.54%	5.33%
Total	$ 33,233	$ 29,894	$ 9,616	$ 551,340	$ 624,083
Grand Total	$ 34,716	$ 108,555	$ 288,011	$ 5,053,556	$ 5,484,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

4. Portfolio Investments (continued)

(d) Bonds and Debentures (continued)

	December 31, 2021				
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Bonds and Debentures – Fair Value Through Profit or Loss					
Government – Federal					
Carrying value	$ -	20,171	11,092	6,233	37,496
Average yield	-	1.08%	1.29%	1.67%	1.24%
Government – Canadian Provincial					
Carrying value	$ -	30,986	54,478	1,243,643	1,329,107
Average yield	-	1.70%	2.14%	2.56%	2.52%
Government – Canadian Municipal					
Carrying value	$ -	649	691	1,255	2,595
Average yield	-	1.28%	1.82%	2.64%	2.08%
Corporate					
Carrying value	$ -	21,086	264,839	3,078,590	3,364,515
Average yield	-	2.33%	3.11%	3.63%	3.58%
Foreign Issuers					
Carrying value	$ -	-	-	332,144	332,144
Average yield	-	-	-	3.46%	3.46%
Total	$ -	72,892	331,100	4,661,865	5,065,857
Bonds and Debentures – Available-for-sale					
Government – Federal					
Carrying value	$ 9,840	3,235	$ 9,746	89,466	112,287
Average yield	0.34%	0.79%	1.31%	1.67%	1.49%
Government – Canadian Provincial					
Carrying value	$ 1,230	-	$ -	578,395	579,625
Average yield	0.77%	-	-	2.48%	2.47%
Government – Canadian Municipal					
Carrying value	$ -	-	$ -	-	-
Average yield	-	-	-	-	-
Corporate					
Carrying value	$ -	52,108	$ 8,718	119,010	179,836
Average yield	-	1.48%	2.31%	3.47%	2.84%
Total	$ 11,070	$ 55,343	$ 18,464	$ 786,871	$ 871,748
Grand Total	$ 11,070	$ 128,235	$ 349,564	$ 5,448,736	$ 5,937,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

4. Portfolio Investments (continued)

(e) Exchange-traded and Mutual Funds

The following table summarizes the fair value of the Company's investment in exchange-traded and mutual funds.

	December 31, 2022 Fair Value	December 31, 2021 Fair Value
Exchange-traded funds	$ 600,712	$ 1,406,590
Mutual funds	$ 1,365,928	1,468,402
Total	$ 1,966,640	$ 2,874,992

(f) Impairment

As described in Note 2(a)(i), management regularly reviews the credit quality of the investment portfolio.

During 2022, there were no impairments on bonds held as AFS assets (2021 - nil). There was no recovery for 2022 (2021 - nil). During 2022, impairments on equities was nil (2021 - nil) and impairments for segregated funds seed money was nil (2021 - nil).

(g) Net Investment (Loss) Income

	2022				
	Fair Value Through Profit or Loss	Held-for-Trading	Available-for-sale	Amortized Cost	Total
Cash and short-term investments					
Interest income	17,655	-	323	-	$ 17,978
Gains (losses)	30,984	-	(14)	-	30,970
Bonds and debentures					
Interest income	216,099	-	25,787	-	241,886
Gains (losses)	(1,255,059)	-	-	-	(1,255,059)
Exchange-traded and mutual funds					
Gains (losses)	(321,643)	-	-	-	(321,643)
Dividends	63,237	-	-	-	63,237
Derivatives					
Gains (losses)	-	(60,671)	-	-	(60,671)
Mortgage loans	-	-	-	1	1
Land leases	-	-	-	10	10
Loans to policyholders	-	-	-	8,759	8,759
Miscellaneous income (loss)	-	-	-	1,621	1,621
Investment loss before investment expenses and investment income taxes					$ (1,272,911)
Less: Investment expenses					13,996
Less: Investment income taxes					3,468
Net Investment Loss					$ (1,290,375)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

4. Portfolio Investments (continued)

(g) Net Investment Income (continued)

	2021				
	Fair Value Through Profit or Loss	Held-for-Trading	Available-for-sale	Amortized Cost	Total
Cash and short-term investments					
Interest income	984	-	29	-	$ 1,013
Gains (losses)	598	-	2	-	600
Bonds and debentures					
Interest income	191,297	-	25,339	-	216,636
Gains (losses)	(324,824)	-	138	-	(324,686)
Exchange-traded and mutual funds					
Gains (losses)	373,244	-	-	-	373,244
Dividends	137,586	-	-	-	137,586
Derivatives					
Gains (losses)	-	(145,437)	-	-	(145,437)
Mortgage loans	-	-	-	1	1
Land leases	-	-	-	26	26
Loans to policyholders	-	-	-	9,290	9,290
Miscellaneous income (loss)	-	-	-	1,084	1,084
Investment income before investment expenses and investment income taxes					$ 269,357
Less: Investment expenses					14,441
Less: Investment income taxes					2,030
Net Investment Income					$ 252,886

Gains (losses) include both realized and unrealized gains (losses) for securities designated as FVTPL and realized gains (losses) for AFS securities.

(h) Pledged Securities

As part of its derivatives-related activities, *ivari* has pledged short-term investments as futures margins. Assets pledged by *ivari* strictly for the purpose of providing collateral to counterparties are classified on the consolidated statement of financial position as other invested assets.

The pledged assets will be returned to *ivari* when the underlying transaction is terminated. In the event of *ivari*'s inability to make payment upon futures settlement, the counterparty would be entitled to apply the collateral in order to settle the liability. Collateral requirements are determined by changes in the market value of the futures contracts outstanding. As at December 31, 2022, *ivari* pledged securities having a fair value of $68,292 (2021 - $122,010).

(i) Assets in trust

OSFI requires Canadian life insurance branches to establish a trust account with an authorized federally regulated financial institution and maintain assets in the trust account up to a certain level based on OSFI's regulatory capital requirements. Most of the Branch's invested assets are held within a trust account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

5. Determination of Fair Value of Financial Instruments

(a) Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: This category includes financial assets and financial liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2: This category includes financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. The main asset classes included in this category are financial assets for which pricing is obtained through pricing services based on broker quotes and not determined in an active market.
- Level 3: This category includes financial assets and financial liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of inputs used in the overall valuation are not market observable.

The following tables present the Company's financial assets and liabilities measured at fair value, and their relative percentages on each level of the fair value hierarchy.

	2022		
	Fair Value	Level 1	Level 2
Financial Assets			
Fair Value Through Profit or Loss			
Bonds and debentures[1]	4,860,755	-	100%
Exchange-traded and mutual funds	1,966,640	100%	-
Cash and cash equivalents	74,356	100%	-
Short-term investments	1,012,172	-	100%
Futures margins	68,292	-	100%
Held-for-trading			
Forwards	1,096	-	100%
Available-for-sale			
Bonds and debentures[1]	624,083	-	100%
Cash and cash equivalents	374	-	100%
Short-term investments	2,004	-	100%
Segregated funds seed units	871	100%	
Financial Liabilities			
Forwards	498	-	100%
Segregated Funds Net Assets	822,275	82%	18%
Segregated Funds Net Liabilities	822,275	82%	18%

[1] The Company reports bonds issued by Canadian governments as Level 2 consistent with Canadian industry practice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

5. Determination of Fair Value of Financial Instruments (continued)

(a) Fair Value Hierarchy (continued)

	2021		
	Fair Value	Level 1	Level 2
Financial Assets			
Fair Value Through Profit or Loss			
Bonds and debentures[1]	5,065,857	-	100%
Exchange-traded and mutual funds	2,874,992	100%	-
Cash and cash equivalents	56,356	100%	-
Short-term investments	834,039	-	100%
Futures margins	122,010	-	100%
Held-for-trading			
Forwards	558	-	100%
Available-for-sale			
Bonds and debentures[1]	871,748	-	100%
Cash and cash equivalents	7,949	-	100%
Short-term investments	11,141	-	100%
Segregated funds seed units	938	100%	-
Financial Liabilities			
Forwards	368	-	100%
Segregated Funds Net Assets	1,041,232	83%	17%
Segregated Funds Net Liabilities	1,041,232	83%	17%

[1] The Company reports bonds issued by Canadian governments as Level 2 consistent with Canadian industry practice.

(b) Movements between Level 1, Level 2 and Level 3 Financial Instruments

There were no transfers between Level 1 and Level 2 financial instruments during 2022 (2021 - nil).

Within segregated funds, there were no material transfers between Levels 1 and 2 during 2022 (2021 - immaterial). The fair value of financial instruments categorized as level 3 within segregated funds at the end of 2022 is $3,477 (2021 - $1,154). The change in level 3 comprises of net transfers of $2,349 and net realized losses of $26.

6. Derivatives

(a) Discussion of Derivatives

Derivative financial instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, credit spreads, equities or other financial measures. Such instruments include interest rate, foreign exchange, equity and credit derivative contracts.

ivari uses various derivative financial instruments to manage and reduce its exposure to fluctuations in risk, including credit, interest rate, currency exchange rate and equity, arising on insurance contract liabilities as part of an asset-liability management program. All derivatives are designated as HFT and recorded at fair value with the resulting realized and unrealized gains (losses) recognized immediately in net income (loss).

ivari enters into futures contracts which are derivatives transacted through organized and regulated exchanges and consist primarily of equity futures and options. The remainder of *ivari*'s derivatives comprises over-the-counter transactions that are privately negotiated between *ivari* and the counterparty to the contract. These consist of currency forwards.

The notional amounts are not recorded as assets or liabilities as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gain (loss) associated with market risk, and are not indicative of the credit risk associated with derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

6. Derivatives (continued)

(a) Discussion of Derivatives (continued)

OSFI has provided disclosure guidelines for three measures of derivative instruments: the positive replacement cost which is the fair value to the extent it is positive; the credit equivalent amount used to approximate the potential credit exposure; and the risk-weighted credit equivalent amount. The credit equivalent amount is the positive replacement cost plus an amount representing the potential future credit exposure as outlined in OSFI's Capital Requirements Guidelines ("Capital Guidelines"). The risk-weighted credit equivalent amount is the credit equivalent amount weighted according to the nature of the derivative and creditworthiness of the counterparties as outlined in the Capital Guidelines.

	December 31, 2022			December 31, 2021		
	Positive Replacement Cost [1]	Credit Equivalent Amount	Capital Requirement	Positive Replacement Cost[1]	Credit Equivalent Amount	Capital Requirement
Foreign exchange forward contracts	$ 1,096	$ 2,222	$ 7	$ 558	$ 1,800	$ 5
Total	$ 1,096	$ 2,222	$ 7	$ 558	$ 1,800	$ 5

[1] Total replacement cost of all contracts with positive fair value.

(i) Credit Derivatives

Credit derivatives are over-the-counter contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another. The most common credit derivatives are credit default swaps. In credit default swaps, an option purchaser acquires credit protection on a reference asset or group of assets from an option writer in exchange for a premium. The option purchaser may pay the agreed premium at inception or over a period of time. The credit protection compensates the option purchaser for any deterioration in value of the reference asset upon the occurrence of certain credit events such as bankruptcy, credit downgrade or failure to pay. Settlement may be cash-based or physical, requiring the delivery of the reference asset to the option writer.

ivari may enter into credit derivatives to manage the credit exposure in its bond portfolio and may also enter into credit derivatives that sell protection in an effort to make its credit derivative strategy revenue neutral.

(ii) Interest Rate Derivatives

Interest rate futures, standardized contracts transacted on an exchange, are based upon an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying fixed income investment and its corresponding market price at a specified future date. There is no actual delivery of the underlying fixed income investment. These contracts are in standard amounts with standard settlement dates.

Certain universal life insurance policies issued by *ivari* allow the policyholder to select an interest-credited rate that is tied to the movement of a synthetic global government bond fund. *ivari* uses a futures/money-market investment strategy to hedge this risk and earn a return sufficient to cover the interest credited based on the movement of the synthetic bond fund plus a spread. All interest rate futures invested in by *ivari* are used to support this investment strategy.

(iii) Equity Derivatives

Equity index futures, which are standardized contracts transacted on an exchange, are agreements to pay or receive a cash amount based on the difference between the contracted price level of an underlying stock index and its corresponding market price level at a specified future date. There is no actual delivery of stocks that comprise the underlying index. These contracts are in standard amounts with standard settlement dates.

ivari enters into equity index futures contracts to assist in managing exposures related to the death benefit and maturity guarantees of its segregated fund contracts.

Certain universal life insurance policies issued by *ivari* allow the policyholder to select an interest-credited rate that is tied to the movement of certain stock exchange indices or mutual funds. *ivari* uses a combination of investments in ETF, mutual funds and a derivatives strategy to hedge this risk and earn a return sufficient to cover the interest credited based on the movement of these indices plus a spread.

ivari also enters into equity index futures contracts for tactical investment management purposes aimed at reducing its exposure to equity movements.

(iv) Foreign Exchange Derivatives

Foreign exchange forward contracts (currency forwards) are over-the-counter contracts in which one counterparty contracts with another to exchange a specified amount of one currency for a specified amount of a second currency, at a future date or range of dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

6. Derivatives (continued)

(a) Discussion of Derivatives (continued)

(iv) Foreign Exchange Derivatives (continued)

ivari enters into currency forward contracts to assist in managing exposures related to the death benefit and maturity guarantees of some of its segregated funds contracts.

Certain universal life insurance policies issued by *ivari* allow the policyholder to select an interest-credited rate that is tied to the movement of certain stock exchange indices, and in some cases the interest-credited rate is tied to the Canadian dollar equivalent of foreign indices. In these cases, *ivari* enters into currency forward contracts to manage the foreign currency exposure.

(v) Summary of Notional Amounts and Fair Values of Derivative Investments

The following table provides a summary of the notional amounts of *ivari*'s derivative investments as at December 31. All contracts mature within one year.

	2022	2021
Exchange-traded Contracts		
Equity futures and other contracts – long/ (short)	$ 443,919	$ (497,576)
Interest rate futures contracts	4,772	5,574
Over-the-counter Contracts		
Foreign exchange forward contracts	(58,833)	(74,011)
Total	$ 389,858	$ (566,013)

The following table provides the fair value of *ivari*'s derivative investment by term to maturity as at December 31. All contracts mature within one year.

	2022	2021
Foreign exchange forward contracts	$ 1,096	$ 558
Derivative assets	$ 1,096	$ 558
Foreign exchange forward contracts	$ 498	$ 368
Derivative liabilities	$ 498	$ 368

(vi) Embedded Derivatives

The market index options included in *ivari's* universal life contracts have been identified as embedded derivatives. As the returns of the index are passed directly to the policyholders and client accounts are credited daily, the market value of these derivatives is zero. The notional amount of these embedded derivatives as at December 31, 2022 was $2,769,860 (2021 - $3,035,952).

(b) Hedges for Segregated Funds

ivari uses equity futures and currency forwards to hedge exposures related to the death benefit and maturity guarantees of its segregated fund contracts. The equity futures and currency forwards are carried at market value, with gains (losses) recognized immediately in investment income. In addition, interest is earned on short-term investments that are pledged as collateral for the futures.

The following table summarizes the notional amounts and carrying values of derivative instruments in *ivari*'s hedge programs as at December 31.

	2022			2021		
	Notional Amount	Expiry Date	Carrying Value	Notional Amount	Expiry Date	Carrying Value
Equity futures	$ (71,168)	Mar 23	$ -	$ (59,089)	Mar 22	$ -
Foreign exchange forwards	23,683	Mar 23	(91)	16,907	Mar 22	(114)
Total	$ (47,485)		$ (91)	$ (42,182)		$ (114)

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December 31, 2022

7. Other Assets

Other assets and their amounts are shown in the following table as at December 31.

	2022	2021
Accounts receivable	$ 124,498	$ 110,471
Business loans	13,820	16,939
Property and equipment	6,426	7,625
Right-of-use assets[1]	10,777	20,172
Intangible assets	14,509	7,458
Unearned commission	63,902	59,622
Prepaid assets[2]	61,408	42,507
Income tax receivable	303	306
Total	$ 295,643	$ 265,100

[1] See (a) below for additional details about property lease right-of-use assets.

[2] The prepaid assets include conversion costs from 2020 to 2023 related to an outsourcing arrangement with a 25-year agreement. The nature of the expense incurred will allow for the provision of the services in the future. The Company will amortize it over a roughly 22.17-year period of the contract (25 years contract term less the estimated 2.83 years needed to complete the conversion and begin actively using the new platform), effectively the benefits for its transformation project's useful life.

There were no write-downs of property and equipment, and intangible assets during the year ended December 31, 2022 (2021 - nil). During 2022, dispositions of depreciated assets included $192 (2021 - $2,218) of property and equipment and nil (2021 - $5,892) of intangible assets. None of the intangible assets have been pledged as security for liabilities or have titles that are restricted.

(a) Property lease right-of-use Assets

	2022	2021
Opening Balance	$ 20,172	$ 23,054
Depreciation charge for the year	(2,624)	(2,862)
Termination of lease contract	-	(20)
Lease remeasurement	(6,771)	-
Closing Balance	$ 10,777	$ 20,172

8. Insurance Contract Liabilities and Investment Contract Liabilities

(a) Nature of Insurance Contract Liabilities

Most of the Company’s business, including products sold and policies in-force, are insurance contracts. These contracts include individual life, health and critical illness insurance and individual payout annuities as well as life and health insurance sold to groups or members of groups. The guarantee provisions of segregated fund contracts are also considered insurance contracts. In addition, the Company has a small block of participating life policies.

Insurance contract liabilities represent an estimate of the amount which, together with anticipated future premiums and investment income and considering the hedging program for segregated funds, will be sufficient to pay outstanding claims and future benefits, policyholder dividends and expenses on policies in-force, before taking into account existing ceded reinsurance arrangements.

Insurance contract liabilities are comprised of gross insurance contract liabilities and other insurance contract liabilities. Gross life, health and annuity insurance contract liabilities are determined by the CALM and minimum guarantees on segregated funds are determined using an OSFI-approved stochastic approach, in accordance with standards established by the ASB and guidance provided by the CIA. Other insurance contract liabilities are detailed later in this note.

The determination of gross insurance contract liabilities is based on an explicit projection of cash flows many years into the future with respect to policies in-force. To that purpose, best estimates of future experience are determined by the Appointed Actuary and employed as valuation assumptions. To recognize the possible mis-estimation or deterioration of these assumptions, each one of them is adjusted to include a margin for adverse deviation. Current period differences in actual experience from the best estimate assumptions including margins are recognized in current period income. As the probability of deviation from best estimates changes or when best estimates are updated, the resulting change in insurance contract liabilities is also recognized in current period income.

For lapse, morbidity, mortality, mortality improvement, investment returns, asset defaults and expense assumptions, a range of allowable margins is prescribed by the ASB based on criteria such as time horizon, level of experience monitoring and availability of credible experience data. For interest rate risk, multiple reinvestment scenarios are conducted by the Appointed Actuary using a cash flow valuation method in order to determine the appropriate provision for adverse deviations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

8. Insurance Contract Liabilities and Investment Contract Liabilities (continued)

(b) Best Estimate Assumptions and Methodology

The methods of determining the material best estimate assumptions used by the Company in the computation of insurance contract liabilities are described in the following paragraphs. The selection and monitoring of appropriate assumptions are designed to minimize the extent to which the Company is financially exposed to measurement uncertainty.

Mortality and Morbidity Assumptions

Mortality refers to the rates at which death occurs for defined groups of insured risks. Best estimate mortality assumptions are based on internal as well as industry experience and are differentiated by gender, underwriting class and policy type.

Morbidity relates to the occurrence of accident and sickness defined groups for insured risks. Best estimate morbidity assumptions are based on internal as well as industry experience and are differentiated by age, gender, occupation class, smoking status, and policy type.

The effect on insurance contract liabilities of a 10% increase in future mortality and morbidity rates would be a reduction of approximately $61,200 (2021 - $81,000). The effect on insurance contract liabilities of a 10% decrease in future mortality and morbidity rates would be an increase of approximately $79,500 (2021 - $96,400).

Mortality Improvement Assumptions

As the current downward trend in mortality rates is assumed to continue for some years into the future, a best estimate mortality improvement assumption was established for longer duration individual life insurance contracts, on the basis of recent industry studies. Such assumption increases the insurance contract liabilities net of reinsurance assets as the life insurance portfolio is adversely impacted by older reinsurance arrangements. Mortality improvement is also assumed for single premium annuities.

Lapse Rate Assumptions

The Company bases its estimates of future lapse rates on previous experience for each block of policies and on industry experience where available and appropriate.

For life insurance policies, best estimate lapse rates vary with several factors including: product design, age, the insured’s smoking status and policy duration. The margin for adverse deviation is determined dynamically at each policy duration by comparing the policy liability to the non-forfeiture value at that duration.

For segregated fund contracts, expected lapse rates vary with several factors, most notably: the ratio of the current market value to the current guarantee value (“MV/GV ratio”), tax registration status and time remaining to the potential date of claim (term to maturity). The expected lapse rates are reduced by a margin for adverse deviation where the MV/GV ratio is less than 1 and increased by a margin where the MV/GV ratio is greater than 1.

The effect on insurance contract liabilities from a 10% adverse change in the lapse rate assumptions would be an increase of approximately $205,800 (2021 - $212,300).

Premium Persistency Assumptions

Best estimates of the amounts and duration of future premium payments on universal life insurance policies are based on past experience and policy level data where available.

Investment Income Assumptions

The computation of insurance contract liabilities takes into account projected net investment income on assets supporting insurance contract liabilities. Best estimates of future investment income are based on the current level of risk-free yield curves, current levels of bond spreads, expected bond ratings, expected bond defaults and long-term averages of equity markets returns.

The impact of an immediate 1% increase in the general level of interest rates would be a reduction in the insurance contract liabilities, net of changes in unrealized gains on supporting assets, of approximately $135,200 (2021 - $148,500). Conversely, a 1% decrease in the general level of interest rates would increase the insurance contract liabilities, net of changes in unrealized gains on supporting assets, by approximately $163,700 (2021 - $201,000).

The impact of an immediate 10% increase in the general level of equity markets would be a decrease in insurance contract liabilities of approximately $117,200 (2021 - $183,200). Conversely, a 10% decrease in the general level of equity markets would result in an increase in insurance contract liabilities of approximately $120,800 (2021 - $188,400).

The Company holds explicit provisions in insurance contract liabilities for possible future defaults. Potential credit losses are based on past Company and industry experience as well as specific reviews of the credit quality of the assets supporting insurance contract liabilities.

Reinvestment Assumptions

The computation of insurance contract liabilities assumes that positive cash flows projected over the term of the liabilities are reinvested in accordance with Company policies and negative cash flows are financed similarly through disinvestment of assets or borrowings at short-term rates. Interest rates, returns on equities and equity limits assumed in those notional transactions are in accordance with actuarial standards of practice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

8. Insurance Contract Liabilities and Investment Contract Liabilities (continued)

(b) Best Estimate Assumptions and Methodology (continued)

Maintenance Expense Assumptions

Amounts are included in insurance contract liabilities to provide for the future costs of administering in force policies including the costs of premium collection, adjudication and processing and settlement of benefits and claims, periodic actuarial calculations, related indirect expenses and overhead. Estimates of future policy maintenance expenses are based on the Company's experience as well as estimates of such factors as contractual reductions in outsourced unit costs, estimates for inflation, productivity changes, business volumes and tax rates. The increase in gross insurance contract liabilities of a 10% increase in future expense levels would be approximately $36,100 (2021 - $37,000).

Tax Assumptions

Insurance contract liabilities reflect temporary timing and permanent tax rate differences, as appropriate, as well as assumptions for future premium taxes and other non-income related taxes.

Participating Policies

Insurance contract liabilities for participating policies include the present value of estimated amounts of future policyholder dividends based on current dividend scales.

Adjustable Policies

Expected reductions in 2022 in policy benefits on applicable adjustable policies are immaterial (2021 - immaterial) and have not been used to reduce the December 31, 2022 insurance contract liabilities.

Segregated Funds Hedge Program

The hedge program for segregated funds is reflected in the calculation of the related insurance contract liabilities by modeling the impact of hedge payments under various economic scenarios.

(c) Insurance Contract Liabilities and Supporting Assets

The carrying values of the gross insurance contract liabilities and invested assets backing these liabilities, by line of business, are as follows as at December 31:

	2022				
	Life	Health	Annuity	Corporate[1]	Total
Gross insurance contract liabilities	$ 8,276,865	$ 7,929	$ 206,289	$ -	$ 8,491,083
Other insurance contract liabilities	159,997	98	-	-	160,095
Total insurance contract liabilities	$ 8,436,862	$ 8,027	$ 206,289	$ -	$ 8,651,178
Invested assets backing insurance contract liabilities	$ 6,515,783	$ 7,081	198,098	$ 2,040,557	$ 8,761,519
Reinsurance assets	2,215,713	103	-	-	2,215,816
Total assets backing insurance contract liabilities	$ 8,731,496	$ 7,184	198,098	$ 2,040,557	$ 10,977,335

	2021				
	Life	Health	Annuity	Corporate[1]	Total
Gross insurance contract liabilities	$ 9,890,142	$ 7,173	$ 283,096	$ -	$ 10,180,411
Other insurance contract liabilities	145,672	93	-	-	145,765
Total insurance contract liabilities	$ 10,035,814	$ 7,266	$ 283,096	$ -	$ 10,326,176
Invested assets backing insurance contract liabilities	$ 7,811,069	$ 7,105	$ 263,950	$ 1,910,165	$ 9,992,289
Reinsurance assets	2,606,706	114	-	-	2,606,820
Total assets backing insurance contract liabilities	$ 10,417,775	$ 7,219	$ 263,950	$ 1,910,165	$ 12,599,109

[1] Corporate assets include *ivari's* surplus assets.

(d) Reinsurance Assets

The carrying value of reinsurance assets is calculated as the difference between the carrying value of insurance contract liabilities before and after taking into account existing ceded reinsurance arrangements. This calculation uses the same assumptions and margins as described above and no provision is made for possible default of reinsurance payments as all are from reinsurers regulated by Canadian authorities. As at December 31, 2022, reinsurance assets were $2,215,816 (2021 - $2,606,820).

There were no impairments of reinsurance assets in 2022 (2021 - nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

8. Insurance Contract Liabilities and Investment Contract Liabilities (continued)

(e) Changes in Insurance Contract Liabilities and Reinsurance Assets

The following tables show the changes in gross insurance contract liabilities and related reinsurance assets for the year.

2022	Gross Insurance Contract Liabilities	Reinsurance Assets	Net
Opening Balance	$ 10,180,411	$ 2,606,820	$ 7,573,591
Change in market value of supporting assets	(1,720,340)	(458,122)	(1,262,218)
Change in in-force business and market economics	(131,234)	(102)	(131,132)
Changes in methods and assumptions:			
Persistency and lapse	(86,798)	(184,739)	97,941
Mortality and mortality improvement	185,698	247,639	(61,941)
Expenses	(8,366)	-	(8,366)
UL fund allocation, PH IDX returns, GIA starting rates	15,364	-	15,364
Update to economic assumptions	47,498	2,437	45,061
Methodology changes and model refinements	8,850	1,883	6,967
Total changes	(1,689,328)	(391,004)	(1,298,324)
Closing balance	$ 8,491,083	$ 2,215,816	$ 6,275,267

2021	Gross Insurance Contract Liabilities	Reinsurance Assets	Net
Opening Balance	$ 10,178,106	$ 2,700,109	$ 7,477,997
Change in market value of supporting assets	(153,657)	(40,177)	(113,480)
Change in in-force business and market economics	140,725	(42,914)	183,639
Changes in methods and assumptions:			
Persistency and lapse	-	-	-
Mortality and mortality improvement	-	-	-
Expenses	32,740	-	32,740
UL fund allocation, PH IDX returns, GIA starting rates	33,283	(702)	33,985
Update to economic assumptions	(46,863)	(7,239)	(39,624)
Methodology changes and model refinements	(3,923)	(2,257)	(1,666)
Total changes	2,305	(93,289)	95,594
Closing balance	$ 10,180,411	$ 2,606,820	$ 7,573,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

8. Insurance Contract Liabilities and Investment Contract Liabilities (continued)

(f) Other Insurance Contract Liabilities

Other insurance contract liabilities are shown in the following table. The change in other insurance contract liabilities is included in gross premiums and in gross benefits and claims on the Company's consolidated statement of income. The portion of reinsurance assets related to other insurance contract liabilities is nil (2021 - nil).

	December 31, 2022	December 31, 2021
Premiums received in advance	$ 5,330	$ 5,714
Policyholder amounts on deposit	17,332	22,195
Outstanding claims and adjustment expenses	137,433	117,856
Total	$ 160,095	$ 145,765

(g) Changes in Investment Contract Liabilities

The Company has classified its individual fixed rate annuities as investment contracts. The related liabilities are the deposit amounts paid to the Company under these contracts accumulated to the current date by applying the contractually guaranteed interest rates. This determination of the liabilities is a very close approximation to the amortized cost using the effective interest rate method.

Details of the changes in investment contract liabilities, which are consist primarily of fixed rate annuities, are provided below.

For the period ended	December 31, 2022	December 31, 2021
Opening balance	$ 19,121	$ 22,546
Interest	149	305
Withdrawals	(2,009)	(1,739)
Claim payments	(2,215)	(1,991)
Total net changes	$ (4,075)	$ (3,425)
Closing balance	$ 15,046	$ 19,121

9. Commitments

(a) Leases

ivari enters into leases for office space and certain equipment with lease terms up to ten years. The majority of lease agreements for office space contain renewal and escalation clauses.

ivari made operating lease payments of $3,915 in 2022 (2021 - $3,203), which includes a termination fee of $754 in 2022 (2021 - nil).

ivari decided to exercise its option to terminate a floor at its head-office effective May 1, 2023. The lease modification resulted in a reassessment of its lease liability at the interest rate implicit in the lease.

The table below shows the future lease payments by year as at December 31.

	2022	2021
2022	-	3,161
2023	2,885	3,375
2024	2,650	3,385
2025	2,651	3,385
2026	2,688	3,484
2027	2,673	3,469
Thereafter	3,564	4,625
Total	$ 17,111	$ 24,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

9. Commitments (continued)

(b) Other Commitments

In 2020, *ivari* entered into a 25-year outsourcing arrangement, with a third party, to modernize ivari's legacy administration systems, while providing policy administration services and digital new business capabilities. The arrangement includes the following minimum service fee payable each year. These fees can be renegotiated subject to triggers relating to changes in ivari's business. In the event *ivari* terminates its agreement, a termination fee, equal to no greater than one year of the minimum service fee, would be payable in lieu of any remaining minimum service fees payments shown below.

	2022	2021
2022	-	21,851
2023	20,722	19,704
2024	17,808	17,454
2025	15,997	15,680
2026	15,003	14,706
2027	14,555	14,267
Thereafter[1]	224,661	220,173
Total	$ 308,746	$ 323,835

[1] Represents the sum of total minimum service fees until 2045.

10. Other Liabilities

	December 31, 2022	December 31, 2021
Amount on deposit from reinsurers	$ 937,409	$ 927,311
Accounts payable and accrued liabilities	30,020	23,022
Income taxes payable	19,607	11,005
Lease liabilities[1]	12,843	22,279
Retirement benefit plans	5,013	8,429
Other	31,724	29,206
Total	$ 1,036,616	$ 1,021,252

[1] See below for additional details about leases liabilities.

(a) Amounts on Deposit from Reinsurers

In late 1998, *ivari* entered into an agreement to reinsure its Term to 100 policies in-force on January 1, 1998. Under the treaty, the ceded single premium of $225,000 was deemed to be paid by *ivari* withholding the funds and agreeing to treat them as an amount on deposit from the reinsurer (the "deposit"). Added to the initial deposit amount were additional specific amounts in each of the 1998-2003 years. The total deposit is to be repaid by the Company according to a prescribed repayment schedule included in the treaty and an annual interest rate of about 8.54% is applied to the outstanding balance monthly. Neither the amount of the deposit nor the repayment schedule is affected by the performance of the reinsurance component of the treaty.

During 2022, *ivari* recognized an interest expense for the funds withheld under this reinsurance treaty of $76,631 (2021 - $75,648).

Repayments made in accordance with the schedule during 2022 totaled $66,532 (2021 - $62,178). The table below provides the prescribed repayments for each of the next 5 years and the total repayments for each 5-year period thereafter through the remaining term of the deposit from the reinsurer.

Year	Repayment Amount	Year	Repayment Amount	Year	Repayment Amount
		2028 – 2032	423,910	2058 – 2062	95,404
2023	72,035	2033 – 2037	458,284	2063 – 2067	33,369
2024	74,667	2038 – 2042	437,618	2068 – 2072	8,424
2025	79,260	2043 – 2047	386,816	2073 – 2077	835
2026	84,012	2048 – 2052	298,103		
2027	87,970	2053 – 2057	192,723		
5 Year Total	397,944				

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December 31, 2022

10. Other Liabilities (continued)

(a) Amounts on Deposit from Reinsurers (continued)

Between 2003 when the Company began to repay the deposit and 2024, the repayments are less than the interest on the deposit and therefore, the deposit balance owing to the reinsurer has grown and will continue to grow until 2025. The outstanding balance was $937,409 as at December 31, 2022 (2021 - $927,311). For fair value disclosure purposes only[1], ivari has estimated the deposit's fair value to be $1,206,824 (2021 - $1,530,857) by present valuing the expected future repayments at 6.0% (2021 - 4.0%), an appropriate discount rate given the current interest rate environment and adjusting for specific factors including ivari's own credit risk and the duration of the obligation. The fair value varies with the discount rate, and for example, it would increase by $68,576 if 5.5% were used and decrease by $62,676 if 6.5% were used.

[1] 2021 fair value and discount rate of the deposit has been recalculated to be on the same basis as 2022.

(b) Lease Liabilities

	2022	2021
Lease liabilities included in Other Liabilities		
Current	$ 3,397	$ 5,337
Non-current	9,446	16,942
Total	$ 12,843	$ 22,279

(c) Retirement Benefit Plans

iHULC sponsors the retirement benefit plans and the post-retirement health benefit and post-employment disability plans ("post-employment benefits") for *ivari,* Canadian Premier Life Insurance Company ("CPL"), Foresters Asset Management Inc. ("FAM") prior to its sale on May 4, 2016 as well as a third party. In 2021, the Company entered into a 25-year outsourcing agreement with a third party to modernize the Company's legacy administration systems, while providing policy administration, customer support services and digital new business capabilities. As a result of this partnership, over 200 ivari employees were transitioned to the third party. Effective September 12, 2021, the Plan no longer accepts contributions from these transitioned employees or accrues benefits on their behalf.

There are two retirement benefit plans, each consisting of a defined benefit and defined contribution component.

(i) Defined Contribution ("DC") Components

Under the DC component of each plan, the participating employers are responsible for contributing a predetermined amount to the employee's retirement savings based on a percentage of that employee's salary. The benefits available to an employee upon retirement are dependent on the performance of the investments chosen by that employee.

(ii) Defined Benefit ("DB") Components and Post-Employment Benefits

The DB components of the plans include both contributory and non-contributory arrangements and are provided to a subset of *ivari* employees. Access to participate in the DB components of the plans for new entrants was closed in December 2000. Under these arrangements, pension benefits are based on the employee's years of service and average annual earnings over a period of time prior to retirement. *ivari* makes contributions to these DB components and, under the contributory arrangements, its employees also contribute a percentage of their salary up to a yearly maximum. iHULC is responsible for ensuring the defined benefit components have sufficient assets to pay the pension benefits upon retirement of the employees.

The obligations for the defined benefit components as well as the current service cost are determined using the projected unit credit actuarial method. Current service cost is the increase in the present value of defined benefit obligations resulting from employees' service in the current period and is determined by an actuarial calculation which uses management's best estimate of expected plan investment returns, salary escalation, employee retirement ages and future health care costs. Actuarial gains and losses arise from the difference between actual and expected long-term rates of return on plan assets or from changes in actuarial assumptions used to determine the accrued benefit obligation and are recognized in other comprehensive income as re-measurement of defined benefit plans. The annual net benefit expense of each defined benefit component is the current service cost, net of interest expense on the accrued benefit obligation and expected interest income on plan assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

10. Other Liabilities (continued)

(c) Retirement Benefit Plans (continued)

(ii) Defined Benefit ("DB") Components and Post-Employment Benefits (continued)

ivari also pays costs related to the post-employment benefits. The post-employment benefit liability represents the present value of expected benefit payments for employees disabled as at December 31.

- Plan Assets, Benefit Obligation and Funded Status, at December 31:

	2022			2021		
	Defined Benefit	Post-retirement & employment	Total	Defined Benefit	Post-retirement & employment	Total
Change in Plan Assets						
Fair value of assets, beginning of year	47,641	-	47,641	44,215	-	44,215
Employee contributions	3	-	3	6	-	6
Employer contributions	574	288	862	716	203	919
Interest income on plan assets	1,409	-	1,409	1,091	-	1,091
Non-investment expense	(70)	-	(70)	(70)	-	(70)
Actuarial gains (losses) on plan assets	(10,139)	-	(10,139)	3,496	-	3,496
Benefits paid	(2,317)	(288)	(2,605)	(1,813)	(203)	(2,016)
Fair Value of Assets, end of year	37,101	-	37,101	47,641	-	47,641
Change in Benefits Obligation						
Benefits obligation, beginning of year	53,030	3,040	56,070	59,417	3,454	62,871
Employer current service cost	88	59	147	85	67	152
Employee contributions	3	-	3	6	-	6
Interest on accrued benefit obligation	1,560	99	1,659	1,464	84	1,548
Actuarial losses (gains)	(12,664)	(496)	(13,160)	(6,129)	(362)	(6,491)
Benefits paid	(2,317)	(288)	(2,605)	(1,813)	(203)	(2,016)
Benefits Obligation, end of year	39,700	2,414	42,114	53,030	3,040	56,070
Retirement Benefits Asset (Liability)	(2,599)	(2,414)	(5,013)	(5,389)	(3,040)	(8,429)
Retirement Benefits Asset (Liability)						
- wholly or partially funded	2,633	-	2,633	1,367	-	1,367
- wholly unfunded	(5,232)	(2,414)	(7,646)	(6,756)	(3,040)	(9,796)
Retirement Benefits Asset (Liability)	(2,599)	(2,414)	(5,013)	(5,389)	(3,040)	(8,429)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

10. Other Liabilities (continued)

(c) Retirement Benefit Plans (continued)

(ii) Defined Benefit ("DB") Components and Post-Employment Benefits (continued)

- The Statement of Investment Policies and Procedures ("SIPP") was revised in November 2020 and permits the DB component's assets to be invested in six broad categories of assets (2021 - six broad categories of assets). The mix, as a percentage, of the fair value of plan assets by asset type as at December 31 is as follows:

	Asset allocation %			
		Permissible Asset Class Ranges		
Asset category	SIPP Target	Minimum	Maximum	As at December 31, 2022
Total Fixed Income / Cash	50.0	40	60	52
Canadian Bonds	40.0	30	50	43
Global Bonds	10.0	5	15	9
Total Equities	50.0	40	60	48
Canadian Stocks	15.0	10	20	15
Non-Canadian Stocks	20.0	15	25	20
Real Estate	87.5	3	13	6
Infrastructure	7.5	3	13	7
	100.0			100

	Asset allocation %			
		Permissible Asset Class Ranges		
Asset category	SIPP Target	Minimum	Maximum	As at December 31, 2021
Total Fixed Income / Cash	50.0	40	60	52
Canadian Bonds	40.0	30	50	44
Global Bonds	10.0	5	15	8
Total Equities	50.0	40	60	48
Canadian Stocks	15.0	10	20	14
Non-Canadian Stocks	20.0	15	25	19
Real Estate	7.5	3	13	8
Infrastructure	7.5	3	13	7
	100.0			100

- Benefit Expense

	2022			2021		
	Defined Benefit	Post-retirement & employment	Total	Defined Benefit	Post-retirement & employment	Total
Current service cost	88	59	147	85	67	152
Interest cost on retirement benefit obligation	1,560	99	1,659	1,464	84	1,548
Interest income on plan assets	(1,409)	-	(1,409)	(1,091)	-	(1,091)
Net benefit expense	239	158	397	458	151	609

- Experience Gains (Losses)

	2022	2021
Experience gains (losses) on plan liabilities	13,160	6,491
Experience gains (losses) on plan assets	(10,139)	3,496
Re-measurement of Retirement Benefit Plans	3,021	9,987

10. Other Liabilities (continued)

(c) Retirement Benefit Plans (continued)

(ii) Defined Benefit ("DB") Components and Post-Employment Benefits (continued)

- Measurement and Valuation

The benefit obligations and the fair value of plan assets for accounting purposes are measured as at December 31 each year.

The latest actuarial valuation for funding purposes was performed as of August 1, 2021.

(iii) DB Retirement Benefit Plan Expenses

	2022	2021
Net benefit expense from Note 10(c)(ii)	397	609
Retirement benefit plan administration expenses	330	478
Total	727	1,087

(iv) DC Retirement Benefit Plans

	2022	2021
Employer contributions	1,735	1,740
Expense charges	197	205
Total	1,932	1,945

(d) At December 31, 2022, *ivari* and iHULC had access to a bank line of credit of $20,000 (2021 - $20,000) and $4,000 (2021 - $4,000) respectively against which no funds had been drawn (2021 - nil). In addition, the Company has access to a credit facility through WRL from a syndicate of banks in the amount of $500,000. The Company has not drawn on the facility in 2022 (2021 - nil).

11. Capital Stock

The Company has two classes of authorized capital stock, each without par or stated value. As of December 31, 2022, and 2021, the Company had issued and outstanding:

i. 100 shares of non-voting participating stock, all of which shares were held by WRL;

ii. 68 shares of redeemable voting stock, of which 60 shares (or 88% of the total of such shares) were held by WRL and the balance of which shares (8 shares or 12% of the total of such shares) were held in equal parts by two officers of WRL.

The Company is party to a Shareholders' Agreement, dated July 31, 2015, concerning, among other things, the governance of the Company and the disposition of shares of its capital stock.

12. Dividends and Contributed Capital

Proj Fox received a cash contribution in 2022 of $351,045 (2021 - nil) from its parent.

In 2022, the Company declared and paid a cash dividend of nil (2021 - nil).

13. Capital Management

The Company's subsidiaries manage capital in accordance with the Capital Risk Management Policy, which is reviewed and approved by the Board annually.

The Company's subsidiaries goal is to maintain adequate levels of available capital to provide sufficient margin over capital levels required by the BMA and OSFI to maintain consumer confidence as well as ratings with external rating agencies. The Company's Management engages the Board with regards to actions necessary to maintain appropriate capital levels.

WRC uses the BMA's prescribed formula for measuring capital under its Long-term Business Solvency Margin framework and its capital ratios exceeded the required minimum each quarter during 2022 and 2021.

In addition, *ivari* and the Branch measure capital following OSFI's LICAT and LIMAT Guidelines respectively. At each quarterly reporting period, in 2022 and 2021, both *ivari* and the Branch ratios exceeded the supervisory targets.

During 2020, in response to COVID-19, OSFI set expectations for all federally regulated financial institutions that dividend increases and share buybacks should be halted. During 2021, these restrictions were lifted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

14. Premiums

		2022		2021
Gross premiums				
Life				
Universal	$	734,655	$	699,822
Traditional		249,772		262,894
Single premium immediate annuities		9		527
Health		4,937		4,740
Total	$	989,373	$	967,983
Ceded premiums				
Life				
Universal	$	(192,970)	$	(217,655)
Traditional		(217,779)		(222,791)
Health		(1,479)		(1,351)
Total	$	(412,228)	$	(441,797)
Net Premiums	$	577,145	$	526,186

15. Fee Income from Customers

(a) Fee income earned from the management of Segregated Fund assets consists of the following:

	December 31, 2022		December 31, 2021	
Fee income related to insurance contracts	$	5,213	$	5,787
Fund management and other asset-based fees		15,330		17,827
Fund administrative fees		4,901		5,364
Total	$	25,444	$	28,978

(b) Contract balances

Timing differences between revenue recognition and cash collection result in a management fee receivable balance of $278 as at December 31, 2022 (2021 - $324). Amounts due to the Company primarily consist of fees deducted from funds under management by the Company. Other than fund administration fees, amounts are generally billed and collected within a short period of time and are not subject to conditions other than the passage of time. Amounts collected as administration fees are limited to the related fund operating costs incurred by the Company and in the event a refund is required, it is recognized in the year to which it relates. The Company has no significant related contract liabilities.

16. Gross and Ceded Policy Benefits and Claims

(a) Methodologies and Assumptions

The establishment of liabilities for outstanding claims and adjudication expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a significant variety of factors. These factors include the Company's own experience with similar cases and historical trends involving benefit payments patterns, loss payments, pending levels of other insurance contract liabilities and adjustment expenses, product mix and concentration, benefits severity and benefits frequency patterns. Other factors include the regulatory and legal environment, actuarial studies, professional experience and expertise of claims personnel and independent adjusters retained to handle individual benefits, existing claims management practices including claims handling settlement practices, the effect of inflationary trends on future claims settlement costs, investment rate of return, court decisions, economic conditions and public attitude. In addition, time can be a critical part of the determination, since the longer the span between the incidence of a loss and the settlement of the claim, the more variable the ultimate settlement amount can be. The process reflects expectations of the ultimate cost of resolution and administration of claims based on an assessment of facts and circumstances then known, together with a review of historical settlement patterns, estimates of trends in benefits severity and frequency, legal theories of liability and other factors.

The best estimates of future claims and adjustment expenses have been determined using the Outstanding Claims Method. As a result, liabilities for outstanding claims include a component for claims incurred but not reported and a component for outstanding claims. The former is calculated on the basis of the Company's experience over the last few years and expressed as a percentage of expected claims, in-force amounts or earned premiums.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

16. Gross and Ceded Policy Benefits and Claims (continued)

(b) Gross and Ceded Policy Benefits and Claims

	2022			2021		
	Gross	Ceded	Net	Gross	Ceded	Net
Insurance contracts						
Life	$ 661,766	$ 457,113	$ 204,653	$ 640,544	$ 417,854	$ 222,690
Health	2,361	1,546	3,815	760	332	428
Subtotal	664,127	458,659	205,468	641,304	418,186	223,118
Investment contracts	(6)	-	(6)	(1)	-	(1)
Total	$ 664,121	$ 458,659	$ 205,462	$ 641,303	$ 418,186	$ 223,117

17. Marketing and Operating Expenses

(a) Expenses for the years ended December 31 are shown by nature of expense in the following table.

	2022	2021
Personnel-related[1]	$ 46,229	$ 48,065
Premises[2]	8,674	8,806
Outsourced services and professional fees[1]	42,414	43,201
Systems	9,539	8,716
External underwriting fees	4,262	4,474
Marketing and travel	3,259	1,304
Project-related external costs[1]	18,798	9,809
All other	(1,255)	707
Total	131,920	125,082
Less: recoveries from other companies	596	586
Marketing and operating expenses	$ 131,324	$ 124,496

1 The Company entered into a 25-year outsourcing arrangement with a third party in 2020 to modernize its legacy administration systems in providing policy administration, customer support services and digital new business capabilities. It incurs related conversion costs from 2020 to 2023.

2 Premises include right-of-use asset depreciation charges of $2,624 (2021 - $2,861) and related interest costs of $1,246 (2021 - $710) in 2022.

(b) Personnel-Related

	2022	2021
Salaries, bonuses and other short-term benefits[1]	$ 41,103	$ 43,419
Pension and post-retirement costs	2,483	2,719
Long term incentive plans	1,888	1,258
Other	755	669
Total[2]	$ 46,229	$ 48,065

1 *ivari* operates an optional Employee Stock Savings Plan in which eligible employees can contribute between 1% and 6% of their annual earnings in certain mutual funds and *ivari* matches 75% of their contributions. The employee's contribution is invested in certain investment options selected by the employee. Included in employee expenses is the amount recorded by the Company of $1,209 for the year ended December 31, 2022 (2021 - $1,106) for contribution matching. *ivari* makes no guarantees with respect to the performance of its matching contributions.

2 See Note 18(a), footnote 1, for additional information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

18. Related Party Transactions

(a) Services Provided by or to Related Parties

Related Parties

(i) WRL is a parent to which the Company may provide administrative services.

(ii) Key management personnel, defined as those persons having authority and responsibility for overseeing, planning, directing and controlling the activities of the Company, are considered related parties.

(b) Non-capital Transactions with Related Party Companies

The following table summarizes the Company's related party non-capital transactions during the year and the amounts due to or from related party companies, other than with respect to key management personnel. Settlement takes place on a regular basis and outstanding balances are unsecured and interest free.

		December 31, 2022		December 31, 2021	
Related Party	Nature of transaction	(Revenue) Expense	Amount due (to) from related party	(Revenue) Expense	Amount due (to) from related party
WRL and other affiliates	Operating expenses	$ -	$ 14	$ -	$ 13

(c) Key Management Personnel

The Company's key management personnel are also considered related parties and consist of the Company's Board of Directors and certain members of the Company's senior management. The following table summarizes the related compensation paid during 2022 and 2021.

	2022	2021
Salaries, bonuses and other short-term benefits	$ 2,999	$ 2,884
Pension and other post-employment benefits	142	139
Other long-term benefits	1,040	417
Total	$ 4,181	$ 3,440

19. Income Taxes

Under Canadian tax laws, each legal entity within the Company files separate tax returns on a non-consolidated basis. The tax notes that follow present combined total amounts.

The income tax expense (recovery) includes provisions for current and deferred taxes as outlined below.

	2022	2021
Current income taxes:		
Current taxes (recovery) on income in the year	$ 80,871	$ 24,004
Current taxes (recovery) referring to previous periods	(4,445)	2,333
	76,426	26,337
Deferred income taxes:		
Origination and reversal of temporary differences	$ (102,173)	$ (8,287)
Impact of change in tax rates	44	90
Deferred taxes referring to previous periods	4,737	(4,116)
	$ (97,392)	$ (12,313)
Income tax expense (recovery) reported in net income	$ (20,966)	$ 14,024

19. Income Taxes (continued)

(a) The statutory income tax rate that applies to the Company is adjusted as shown below to derive the effective tax rate in percentages for each of 2022 and 2021.

	2022	2021
Statutory Rate	25.87%	25.75%
Adjustments:		
Exempt Investment Income	35.19%	(14.91%)
Capital taxes, tax credits and other non-deductible income	85.78%	0.57%
True-up of prior years and other adjustments	(54.55%)	4.44%
Future federal and provincial tax rate changes	0.03%	0.83%
Effective tax rate	92.32%	16.69%

(b) The following income tax amounts are included in OCI as at December 31:

	2022	2021
Net unrealized gains (losses) on AFS securities	$ (66,026)	$ (18,431)
Less: reclassification of losses (gains) on AFS securities to income	6	37
Total income tax expense (benefit) included in OCI	$ (66,020)	$ (18,394)

(c) Deferred Tax Asset and Deferred Tax Liability

(i) The net deferred tax liability includes temporary differences as at December 31 as follows:

	2022	2021
Insurance contract liabilities	$ 43,213	$ -
Tax Credits	32,268	3,577
Other	6,609	5,992
Deferred Tax Asset	$ 82,090	$ 9,569
Insurance contract liabilities	-	25,166
Investment gains recognized in retained earnings	34,540	38,297
Other	-	(4,052)
Deferred Tax Liability	34,540	$ 59,411
Net Deferred Tax Asset/ (Liability)	$ 47,550	$ (49,842)

(ii) Reconciliation of Net Deferred Tax Asset/ (Liability)

	2022	2021
Opening balance	$ (49,842)	$ (62,155)
Deferred tax expense (benefit) during the year recognized in net income	97,392	12,313
Closing balance	$ 47,550	$ (49,842)

In 2022, the Company expects that it will realize sufficient future taxable income to allow it to use $20,544 of Ontario Capital Minimum Tax Credits (2021 - $0). Non-capital carry forward tax losses for which a deferred tax asset has not been recognized amount to $7,548 (2021 - $7,043). These losses will expire between the years 2035 to 2042.

(d) The Company paid income taxes in the amount of $4,504 in 2022 (2021 - $10,474).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

20. Segregated Funds Net Assets and Net Liabilities

ivari manages a range of segregated funds on behalf of policyholders. The funds fit into the following four types, based on the investments each fund holds:

- Money market funds consist of investments that have a term to maturity of less than one year;
- Fixed income funds are funds that invest primarily in investment-grade income securities and up to 25% can be invested in diversified equities or high-yield bonds;
- Balanced funds are a combination of fixed income securities and equities and the maximum equity component allowed in the portfolio is 75%;
- Equity funds consist primarily of broad-based diversified funds that invest in a mix of Canadian, U.S. and/or global equities with low, intermediate or high volatility.

In many cases, the funds invest in mutual funds with the appropriate investment objectives rather than individual securities.

The composition of net assets by type of segregated fund as at December 31 is as follows:

		2022			2021	
Type of Fund		Total	Percent		Total	Percent
Money market	$	17,766	2.16%	$	20,065	1.93%
Fixed income		37,391	4.54%		47,942	4.60%
Balanced		443,818	53.92%		556,416	53.39%
Equity		324,171	39.38%		417,747	40.08%
Subtotal		823,146	100.00%		1,042,170	100.00%
Less: Seed units invested by the Company		871			938	
Segregated Fund Net Assets	$	822,275		$	1,041,232	

The fair value of the underlying investments by asset class as of December 31 is as follows:

		2022			2021	
Asset Class		Total	Percent		Total	Percent
Cash and cash equivalents	$	3,956	0.48%	$	6,233	0.60%
Short-terms investments		81,104	9.85%		93,356	8.96%
Equities		122,988	14.95%		157,535	15.12%
Bonds		59,937	7.28%		73,020	7.01%
Mutual funds		554,675	67.38%		711,208	68.23%
Other assets		486	0.06%		818	0.08%
Subtotal		823,146	100.00%		1,042,170	100.00%
Less: Seed units invested by the Company		871			938	
Segregated Fund Net Assets	$	822,275		$	1,041,232	

21. Contingencies

Legal matters

The Company is primarily involved as a party to legal actions arising from the normal course of business. ivari is also defending a class action claim related to an alleged “tracking error” in respect of one segregated fund. It is not expected that these legal proceedings will have a material adverse effect on the Company’s financial position.

22. Subsequent Events

Effective October 3, 2023, Wilton Re Ltd. sold Proj Fox Acquisition Inc. and its subsidiaries (including ivari) to Sagicor Financial Company Ltd. As a result of the acquisition, there are no significant changes to the business operations of ivari. However, a reorganization of intermediary and non-operating entities is underway.

Schedule C

Unaudited Condensed Interim Consolidated Statements of Financial Position of Proj Fox as at September 30, 2023, December 31, 2022 (restated) and January 1, 2022 (restated) and Statements of Income for the nine months ended September 30, 2023 and September 30, 2022

Proj Fox Acquisition Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION - UNAUDITED

	Note	September 30, 2023	December 31, 2022 (restated)	January 1, 2022 (restated)
(thousands of dollars)				
ASSETS				
Cash and cash equivalents	4,5	$ 412,033	$ 74,730	$ 64,305
Short-term investments	4,5	818,186	1,014,176	845,180
Bonds and debentures	4,5	5,173,079	5,484,838	5,937,605
Exchange-traded and mutual funds	4,5	2,281,548	2,097,864	3,033,935
Derivative financial instruments	4,5,6	146	1,096	558
Other invested assets	4,5	67,240	69,240	123,254
Accrued investment income	4,5	53,154	33,258	31,390
Total Invested Assets		$ 8,805,386	$ 8,775,202	$ 10,036,227
Reinsurance contract held assets	9	$ 2,783,867	$ 2,961,505	$ 3,659,772
Tax receivable		353	302	306
Deferred tax assets	15	272,673	258,943	200,992
Other assets		164,226	176,568	162,297
Segregated fund assets	16	629,253	691,051	882,289
Total Assets		**$ 12,655,758**	**$ 12,863,571**	**$ 14,941,883**
LIABILITIES AND EQUITY				
Liabilities				
Insurance contract liabilities	7	$ 9,971,081	$ 10,103,368	$ 12,277,055
Investment contract liabilities	8	12,923	15,046	19,121
Derivative financial instruments	6	1,402	498	368
Tax liabilities		17,332	19,607	11,005
Other payables		1,015,708	1,021,689	1,015,462
Insurance contract liabilities for account of segregated fund holders	16	629,253	691,051	882,289
Total Liabilities		$ 11,647,699	$ 11,851,259	$ 14,205,300
Equity				
Capital stock	10	$ 993,520	$ 518,520	$ 518,520
Contributed capital	11	157,774	632,842	281,797
Retained earnings (deficit)		(144,411)	(133,548)	(244,923)
Accumulated other comprehensive income (loss)		1,176	(5,502)	181,189
Total Equity		$ 1,008,059	$ 1,012,312	$ 736,583
Total Liabilities and Equity		**$ 12,655,758**	**$ 12,863,571**	**$ 14,941,883**

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

Approved by the Board of Directors on December 8, 2023, and signed on its behalf by

Todd Lawrence

Todd Lawrence
President and Chief Executive Officer

Daniel Pellerin

Daniel Pellerin
Executive Vice President and Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS - UNAUDITED

		For the nine months ended	
	Note	September 30, 2023	September 30, 2022 (restated)
(thousands of dollars)			
Insurance Service Result			
Insurance revenue	7,13	$ 593,647	$ 553,425
Insurance service expense	7,14	(502,892)	(451,370)
Net expense from reinsurance contracts held	9	(65,046)	(46,976)
Net Insurance Service Result		**$ 25,709**	**$ 55,079**
Investment Result			
Interest revenue calculated using the effective interest method		$ 242,217	$ 181,318
Other interest and similar income (loss)		85,338	(56,593)
Changes in fair value on financial assets at fair value through profit or loss		(206,509)	(1,818,106)
Net realized gain/(loss) on derecognition of financial assets measured at fair value through profit or loss		(631)	178,654
Net foreign exchange (expenses) income		2,558	51,146
Total investment income (loss)	4	$ 122,973	$ (1,463,581)
Insurance finance income (expenses) for insurance contracts issued	4,7	1,772	2,622,094
Reinsurance finance income (expenses) for reinsurance contracts held	4,9	(81,418)	(783,972)
Increase in investment contract liabilities	4	(201)	(186)
Net investment result - before segregated funds		$ 43,126	$ 374,355
Segregated funds investment result			
Investment income (loss) for segregated funds	16	$ 24,369	$ (102,042)
Insurance finance income (expenses) for segregated funds	16	(24,369)	102,042
Net segregated funds investment result		$ —	$ —
Total Investment Result		**$ 43,126**	**$ 374,355**
Other Expenses			
Operating and administrative expenses	14	$ (75,749)	$ (79,534)
Other income (expense)		658	(251)
Total Other Expenses		**$ (75,091)**	**$ (79,785)**
Profit (Loss) Before Tax		**$ (6,256)**	**$ 349,649**
Income tax recovery (expense)	15	5,030	(89,131)
Profit (Loss) For The Period		**$ (1,226)**	**$ 260,518**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) - UNAUDITED

	For the nine months ended	
	September 30, 2023	September 30, 2022 (restated)
(thousands of dollars)		
Profit (Loss) For The Period	$ (1,226)	$ 260,518
Other comprehensive income (loss), net of income taxes:		
Items that may be reclassified subsequently to income		
Change in unrealized gains (losses) on available-for-sale assets arising during the year, net of income taxes:		
Bonds and short-term investments	—	(175,818)
Equities and other	—	(82)
Reclassification adjustment for losses (gains) into net income (loss):		
Bonds and short-term investments	—	8
Items that will not be reclassified subsequently to income		
Net employee benefit plan actuarial gain (loss)	708	3,747
Total Comprehensive Income (Loss)	**$ (518)**	**$ 88,373**

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

	Capital Stock	Contributed Capital	Retained Earnings (Deficit)	AOCI[1]	Total Equity
Balance at December 31, 2021 (IFRS 4)	$ 518,520	$ 281,797	$ 478,548	$ 181,189	$ 1,460,054
Transition adjustment - IFRS 17	—	—	(723,471)	—	(723,471)
Restated balance as at January 1, 2022	$ 518,520	$ 281,797	$ (244,923)	$ 181,189	$ 736,583
Comprehensive income (loss)	—	—	260,518	(172,145)	88,373
Contributed capital	—	226,045	—	—	226,045
Restated balance as at September 30, 2022	$ 518,520	$ 507,842	$ 15,595	$ 9,044	$ 1,051,001
Comprehensive income (loss)	—	—	(149,143)	(14,546)	(163,689)
Contributed capital	—	125,000	—	—	125,000
Restated balance as at December 31, 2022	$ 518,520	$ 632,842	$ (133,548)	$ (5,502)	$ 1,012,312
Transition adjustment - IFRS 9	—	—	(9,637)	5,970	(3,667)
Restated balance as at January 1, 2023	$ 518,520	$ 632,842	$ (143,185)	$ 468	$ 1,008,645
Comprehensive income (loss)	—	—	(1,226)	708	(518)
Dividends	475,000	(475,068)	—	—	(68)
Balance as at September 30, 2023	**$ 993,520**	**$ 157,774**	**$ (144,411)**	**$ 1,176**	**$ 1,008,059**

[1]Accumulated Other Comprehensive Income

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

	For the nine months ended	
	September 30, 2023	September 30, 2022 (restated)
(thousands of dollars)		
OPERATING ACTIVITIES		
Profit (loss) for the year	$ (1,226)	$ 260,518
Adjustments		
(Increase) in accrued investment income	(19,896)	(15,928)
Decrease (increase) in other assets	4,958	3,519
Decrease (increase) in deferred tax provision on operating income	(13,730)	85,025
Increase (decrease) in insurance contract liabilities	(194,121)	(2,902,282)
(Decrease) in investment contract liabilities	(2,123)	(2,712)
(Decrease) increase in other liabilities	(5,474)	(1,814)
Decrease (increase) in reinsurance assets and liabilities, net	177,638	871,587
Net unrealized losses (gains), including impairments	222,390	1,571,272
Net accrual of discount on invested assets	(104,926)	(71,630)
Decrease (increase) in segregated fund invested assets	56,784	220,351
Amortization of defined benefit pension	708	3,747
Total non-cash items	$ 122,208	$ (238,865)
Net cash provided by operating activities	$ 120,982	$ 21,653
INVESTING ACTIVITIES		
Sales, maturities and scheduled repayments of:		
Bonds and other fixed-term securities	$ 242,493	$ 713,654
Exchange-traded and mutual funds	63,813	574,539
Mortgage loans	7	7
Other invested assets	59	401,416
Derivatives	(1,849)	(8,631)
Purchases and issues of:		
Bonds and other fixed-term securities	(208,560)	(1,376,559)
Exchange-traded and mutual funds	(113,958)	(119,816)
Other invested assets	—	(278,534)
Short-term investments, net	237,168	70,322
Net cash provided by (used in) investing activities	219,173	(23,602)
FINANCING ACTIVITIES		
Principal portion of lease liability	$ (1,344)	$ (1,485)
Lease termination penalty	(1,440)	—
Contributed capital	(68)	226,045
Net cash provided by (used in) financing activities	$ (2,852)	$ 224,560
Net increase in cash and cash equivalents during the period	$ 337,303	$ 222,611
SUMMARY OF CHANGES IN CASH POSITION		
Cash and cash equivalents, beginning of period	$ 74,730	$ 64,305
Net increase in cash and cash equivalents during the period	337,303	222,611
Cash and cash equivalents, end of period	**$ 412,033**	**$ 286,916**
SUPPLEMENTARY CASH FLOW INFORMATION RELATING TO OPERATING ACTIVITIES		
Interest expense paid	$ 54,907	$ 50,731
Interest income received	1,415	272
Dividend income received	22,659	28,584

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS – INDEX

September 30, 2023

1. Basis of Preparation

(a) Corporate Information

Proj Fox Acquisition Inc. ("Proj Fox" or the "Company") was incorporated under the laws of Nova Scotia in 2014. It is a holding company. Until October 3, 2023, Wilton Re Ltd. ("WRL"), which is also domiciled in Nova Scotia, owned 88% of the redeemable voting stock and all of the non-voting participating stock of Proj Fox, and two officers of WRL collectively owned all of the remaining redeemable voting stock. For the ownership structure after October 3, 2023, refer to Note 18 Subsequent Events.

Proj Fox owns 100% of Wilton Re (Canada) Limited ("WRC"), which was incorporated under the laws of Bermuda on June 2, 2015. WRC holds a Long-Term Insurer License Class E under the Bermuda Insurance Act of 1978 ("the Act") and may reinsure business of its affiliate, Wilton Re Bermuda, or of its Canadian insurance subsidiary.

WRC owns 100% of *ivari* Holdings ULC ("iHULC"). iHULC owns 100% of *ivari,* a Canadian life insurance company and is the sponsor of pension plans that provide retirement benefits to the employees of *ivari*. *ivari* is a Federally Regulated Financial Institution, regulated by the Office of the Superintendent of Financial Institutions, Canada ("OSFI").

WRC was required to establish a Canadian life insurance branch ("the Branch") by the Department of Finance to reinsure certain policies written by *ivari* ("underlying policies"); the Branch is regulated by OSFI. The Branch entered into a single reinsurance assumption contract with *ivari* on September 1, 2017 and it does not participate in any retrocession contracts.

Proj Fox is a taxable Canadian Corporation. WRC, including the Branch operations, is taxed as a single entity and is a resident of Canada for tax purposes. The Branch alone is not a taxpayer and consequently, it does not recognize any corporate income or capital taxes.

(b) Basis of Presentation

These condensed interim consolidated financial statements ("interim financial statements") are prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and disclosures normally included in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2022. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

IFRS 17 *Insurance Contracts* (IFRS 17) replaces IFRS 4 *Insurance Contracts* for annual periods beginning on or after January 1, 2023. The Company has restated comparative information for 2022 applying the transition provisions in IFRS 17, described throughout this note and note 2.

In 2014, the IASB issued IFRS 9 *Financial Instruments* (IFRS 9), replacing IAS 39 *Financial Instruments: Recognitions and Measurement* (IAS 39). IFRS 9 is effective for annual periods beginning on or after January 1, 2023.

In these statements, the Company has applied IFRS 17 and IFRS 9, for the first time.

These interim financial statements are presented in Canadian dollars, which is the functional currency of Proj Fox, and all amounts are rounded to the nearest thousand dollars except when otherwise indicated.

Assets and liabilities denominated in foreign currency are translated using the closing exchange rate at the statement of financial position date, and income and expenses are translated using the average exchange rates over the period. The resulting gains and losses related to foreign exchange are included in investment income.

These interim financial statements were approved by the Company's Board of Directors on December 8, 2023.

(c) Use of Estimates and Judgments

Preparation of the interim financial statements requires that management make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the interim financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. Accounting policies requiring complex estimates and significant judgments include the measurement and classification of insurance contract liabilities and investment contract liabilities, the valuation of certain financial assets and liabilities, and income taxes. Details on the judgments and estimates are provided in the related notes.

Although some variability is inherent in these estimates, management believes that the amounts provided are appropriate as at the date of these interim financial statements.

2. Accounting Policy Changes and Material Accounting Policies

(a) Adoption of IFRS 17 Insurance Contracts effective January 1, 2023

In May 2017, the IASB issued IFRS 17 to establish a comprehensive global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020. IFRS 17 replaces IFRS 4 changing the fundamental principles used by the Company for recognizing and measuring insurance contracts. IFRS 17 also changes the presentation and related note disclosures of the Company's interim financial statements.

IFRS 17 is effective beginning on January 1, 2023 with a transition date of January 1, 2022.

Although permitted by the standard, the Company's regulator OSFI did not allow early adoption. IFRS 17 requires that the Company apply the standard retrospectively unless impracticable, in which case the Company may elect to use a modified retrospective or fair value method. The Company has determined that it is impracticable to apply the retrospective method to business sold prior to January 1, 2021, because estimates required information that was either not available or would not have been available in a useable form in prior periods. The Company has elected to apply the fair value method for business in-force before January 1, 2021.

The Company adopted IFRS 17, as amended, on January 1, 2023, with an effective date of January 1, 2022. The principles underlying IFRS 17 differ from IFRS 4 and therefore replaced the Canadian Asset Liability Method ("CALM"). The following outlines the key differences in IFRS 17 principles compared to CALM and the detailed effects of the Company's adoption. The 2022 comparative figures as presented in these statements have been restated, where indicated, for the adoption of IFRS 17.

(i) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

Under IFRS 4 the Company valued its insurance contracts issued and reinsurance contracts held on a CALM basis according to the standards established by the Actuarial Standards Board and guidance provided by the Canadian Institute of Actuaries ("CIA"). IFRS 17 establishes specific principles for the recognition and measurement of the Company's insurance contracts issued and reinsurance contracts held.

The key principles of IFRS 17 requires that the Company:

- Identify insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event occurs.
- Separate specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and account for them in accordance with other standards.
- Aggregate insurance contracts issued and reinsurance contracts held into portfolios of contracts which represent similar insurance risks to the Company and which are managed together. Portfolios of contracts consist of groups of contracts which are separated at initial recognition between contracts expected to produce a loss (onerous contracts) and the remaining contracts. Each group contains contracts which are issued no more than one year apart except those transitioned to IFRS 17 under the Fair Value method.
- Recognize each group of contracts separately at initial recognition and measure each separately in each future accounting period.
- Recognize and measure groups of insurance contracts at the risk-adjusted present value of the future cash flows that incorporates all available information about the fulfillment cash flows in a way that is consistent with observable market information. Fulfillment cash flows comprise probability-weighted estimates of future cash flows, discounted to reflect the time value of money and the associated financial risks, plus a risk adjustment for non-financial risk.
- Establish a contractual service margin ("CSM"), representing the unearned profit in the group of contracts.
- Recognize profit from a group of insurance contracts over each period as the Company provides insurance contract services, and the Company is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognizes the loss immediately.

In addition, the Company has included amounts in insurance contract liabilities of its Universal Life business which were previously presented as a portion of the Segregated Fund Liabilities. Assets of the same amount, previously presented within the Segregated Fund Assets, have been reclassified to be included within the Company's invested assets.

(ii) Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates portfolios of insurance and reinsurance contracts held and presents separately:

- Portfolios of insurance contracts issued and portfolios of reinsurance contracts held that are assets
- Portfolios of insurance contracts issued and portfolios of reinsurance contracts held that are liabilities

To align with the measurement of profit and loss under IFRS 17, significant changes have been made to the line items which make-up the Statement of Profit or Loss. IFRS 17 requires separate presentation of the following line items:

- Insurance revenue
- Insurance service expense
- Insurance finance income (expense)
- Income (expense) from reinsurance contracts held

Some line items required under IFRS 4 are not applicable to IFRS 17 and have been removed from the Statement of Profit or Loss. These include:

- Premium income
- Policyholder claims and benefits
- Change in insurance contract liabilities

In addition, the Company provides disaggregated qualitative and quantitative information in the notes to the interim financial statements about:

- Amounts recognized in its interim financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the IFRS 17 standard

(iii) Transition

On transition date, January 1, 2022, the Company:

- Identified, recognized and measured each group of insurance contracts issued and new reinsurance contracts held during 2021 as if IFRS 17 had always applied, following the full retrospective approach.
- For groups of insurance contracts issued and reinsurance contracts held prior to January 1, 2021, the Company determined that it was impracticable to apply the full retrospective approach and has elected to instead use the fair value approach which is described in 2a(iv) below.
- Derecognized any existing balances that would not exist had IFRS 17 always applied.
- Recognized any resulting net difference in equity.

(iv) Fair value approach

The Company has applied the fair value approach on transition for certain groups of contracts. Prior to transition, it grouped contracts from all years into a single unit for accounting purposes. The Company has determined that obtaining reasonable and supportable information to apply the full retrospective approach is impracticable. Under the fair value approach, the Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfillment cash flows measured at the transition date. In determining fair value, the Company has applied the requirements of IFRS 13 Fair Value Measurement.

The Company has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts
- Determine whether any contracts are direct participating insurance contracts
- Identify any discretionary cash flows for insurance contracts without direct participation features

2. Accounting Policy Changes and Material Accounting Policies (continued)

The discount rate for the group of contracts applying the fair value approach was determined at the transition date. For the measurement of fulfillment cash flows at the date of transition, the locked-in discount rate effective January 1, 2022 was applied. The discount rate used for accretion of interest on the CSM is determined using a modified bottom-up approach.

The Company used the embedded value approach to determine the fair value of contracts effective prior to the transition date.

(v) Effects from applying IFRS 17 resulted in a reduction of total equity of $723,471, net of tax, as at January 1, 2022. The opening IFRS 17 balance sheet and related adjustments as at January 1, 2022 are presented below:

		Measurement Differences				
	IFRS 4 & IAS 39 December 31, 2021	Transition CSM (A)	Contract Measurement (B)	Tax Impacts on A and B	Presentation Differences	IFRS 17 & IAS 39 January 1, 2022
Assets						
Total invested assets	$ 10,011,817	$ —	$ —	$ —	$ 24,410	$ 10,036,227
Reinsurance assets	2,606,820	309,718	644,835	—	98,399	3,659,772
Deferred tax assets	5,992	—	—	195,000	—	200,992
Other assets[1]	265,100	—	—	—	(102,497)	162,603
Segregated fund assets	1,041,232	—	—	—	(158,943)	882,289
Total assets	**$ 13,930,961**	**$ 309,718**	**$ 644,835**	**$ 195,000**	**$ (138,631)**	**$ 14,941,883**
Liabilities and Equity						
Insurance contract liabilities	$ 10,326,176	$ 741,052	$ 1,187,806	$ —	$ 22,021	$ 12,277,055
Insurance contract liabilities for account of segregated fund holders	—	—	—	—	882,289	882,289
Investment contract liabilities	19,121	—	—	—	—	19,121
Reinsurance payables	6,924	—	—	—	(6,924)	—
Derivative financial instruments	368	—	—	—	—	368
Deferred tax liability	55,834	—	—	(55,834)	—	—
Other liabilities	1,021,252	—	—	—	5,215	1,026,467
Segregated fund liabilities	1,041,232	—	—	—	(1,041,232)	—
Total liabilities	**$ 12,470,907**	**$ 741,052**	**$ 1,187,806**	**$ (55,834)**	**$ (138,631)**	**$ 14,205,300**
Equity						
Capital stock	$ 518,520	$ —	$ —	$ —	$ —	$ 518,520
Contributed capital	281,797	—	—	—	—	281,797
Retained earnings (deficit)	478,548	(431,334)	(542,971)	250,834	—	(244,923)
Accumulated other comprehensive income	181,189	—	—	—	—	181,189
Total equity	**$ 1,460,054**	**$ (431,334)**	**$ (542,971)**	**$ 250,834**	**$ —**	**$ 736,583**
Total liabilities and equity	**$ 13,930,961**	**$ 309,718**	**$ 644,835**	**$ 195,000**	**$ (138,631)**	**$ 14,941,883**

[1]Other assets includes Tax receivable.

2. Accounting Policy Changes and Material Accounting Policies (continued)

(b) Adoption of IFRS 9 Financial Instruments effective January 1, 2023

IFRS 9 replaced IAS 39 for annual periods beginning on or after January 1, 2018. However, IFRS 4 provided a temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17. The Company elected to apply the temporary exemption as required by OSFI.

The Company has applied IFRS 9 effective January 1, 2023 and has not restated comparative information for 2022 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognized in retained earnings as of January 1, 2023. The following outlines the nature of the changes in the accounting policies and the detailed effects of the Company's adoption of IFRS 9.

(i) Changes to classification and measurement

IFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics to determine their classification and measurement category.

IFRS 9 establishes the following measurement categories:

- Financial assets at fair value through profit or loss including equity instruments and derivatives
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition (not used by the Company)
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company)
- Debt instruments at amortized cost (not used by the Company)

In adopting IFRS 9, the Company elected to reclassify all financial assets previously designated as Available For Sale ("AFS") under IAS 39 to fair value through profit and loss ("FVTPL") to reduce the potential accounting mismatch due to insurance contract liabilities having longer duration than supporting assets, exposing the Company to interest rate volatility that is offset if surplus assets are recorded at FVTPL.

(ii) Impairment calculation for financial assets not held at FVTPL

IFRS 9 requires the entities to record an allowance for an expected credit loss (ECL) for all debt instruments not held at FVTPL replacing IAS 39's incurred loss approach with a forward-looking ECL approach. ECL is an expected loss amount as a result of credit deterioration of the party that has been issued the credit.

Financial assets, not otherwise required to be recorded as FVTPL, are designated as FVTPL. As the Company's financial assets are all designated as FVTPL, no ECL was established.

(iii) Transition disclosure

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was also amended. The Company applied the amended disclosure requirements, together with IFRS 9, for the year beginning January 1, 2023 below.

The impact of transition to IFRS 9 is as follows:

		Other assets		AOCI		Retained earnings
Closing balance under IAS 39 (December 31, 2022)	$	176,568	$	(5,502)	$	(133,548)
Reclassification of unrealized gains (losses) on available-for-sale assets to the FV of invested assets held at FVTPL, net of tax		—		5,970		(5,970)
Measurement difference on loan balance in other assets*		(3,667)		—		(3,667)
Opening balance under IFRS 9 (January 1, 2023)	$	172,901	$	468	$	(143,185)

*Other assets impacted by $(3,667) because of an adjustment to a loan receivable.

2. Accounting Policy Changes and Material Accounting Policies (continued)

The following table presents invested assets by type and measurement category as at December 31, 2022, with transitional measurement differences and classification differences and then invested assets by type and category as at January 1, 2023.

	December 31, 2022 IAS 39 Measurement Category	Total Carrying Value	Impact of IFRS 17	Impact of IFRS 9	January 1, 2023 Total Carrying Value
Assets					
Cash and cash equivalents	AFS	$ 374	$ —	$ (374)	$ —
	FVTPL	74,356	—	374	74,730
	Amortized Cost	—	—	—	—
		$ 74,730	$ —	$ —	$ 74,730
Short-term investments	AFS	$ 2,004	$ —	$ (2,004)	$ —
	FVTPL	1,012,172	—	2,004	1,014,176
	Amortized Cost	—	—	—	—
		$ 1,014,176	$ —	$ —	$ 1,014,176
Bonds and debentures	AFS	$ 624,083	$ —	$ (624,083)	$ —
	FVTPL	4,860,755	—	624,083	5,484,838
	Amortized Cost	—	—	—	—
		$ 5,484,838	$ —	$ —	$ 5,484,838
Exchange-traded and mutual fund	AFS	$ —	$ —	$ —	$ —
	FVTPL	1,966,640	131,224	—	2,097,864
	Amortized Cost	—	—	—	—
		$ 1,966,640	$ 131,224	$ —	$ 2,097,864
Loans to policyholders	AFS	$ —	$ —	$ —	$ —
	FVTPL	—	—	—	—
	Amortized Cost	132,980	(132,980)	—	—
		$ 132,980	$ (132,980)	$ —	$ —
Derivative assets	AFS	$ —	$ —	$ —	$ —
	FVTPL	1,096	—	—	1,096
	Amortized Cost	—	—	—	—
		$ 1,096	$ —	$ —	$ 1,096
Other invested assets	AFS	$ 871	$ —	$ (871)	$ —
	FVTPL	68,292	—	948	69,240
	Amortized Cost	77	—	(77)	—
		$ 69,240	$ —	$ —	$ 69,240
Accrued investment income	AFS	$ —	$ —	$ —	$ —
	FVTPL	—	—	33,258	33,258
	Amortized Cost	33,415	(157)	(33,258)	—
		$ 33,415	$ (157)	$ —	$ 33,258
Total Invested Assets		$ 8,777,115	$ (1,913)	$ —	$ 8,775,202

(c) Revised Material Accounting Policies

The material accounting policies used in the preparation of these interim financial statements as a result of the adoption of IFRS 17 and IFRS 9 are summarized below. These differ from those included in Note 2 of the Company's 2022 consolidated financial statements.

2. Accounting Policy Changes and Material Accounting Policies (continued)

(i) Financial Assets

The Company chose not to apply IFRS 9 in the year 2022, nor was the classification overlay applied for that year.

Financial assets are recognized on the trade date when the Company becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they are purchased.

The Company records sales of invested assets on the trade date.

Classification

Starting in 2023 with the adoption of IFRS 17 and IFRS 9, the Company has determined that total asset duration is shorter than the duration of insurance contract liabilities, which leads to an accounting mismatch that would be reduced by electing to carry all assets at FVTPL. This represents a change from the former accounting regime where assets backing insurance contract liabilities were held as fair value and surplus assets were held as Available-For-Sale (“AFS”).

(ii) Financial Liabilities

Measurement

Financial liabilities are recognized initially on the date they are originated at fair value plus any directly attributable incremental costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except derivative liabilities which are measured at fair value.

The Company’s financial liabilities include investment contract liabilities, derivative liabilities and other liabilities which consist of the following:

- Amounts on Deposit from Reinsurers: The Company has a funds withheld arrangement with one of its reinsurance providers and credits interest on the outstanding balance of the amount payable to the reinsurer. This arrangement is classified as a financial liability valued at amortized cost.
- Other liabilities also include accounts payable, accrued expenses and taxes payable.

Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iii) Insurance and Reinsurance Contracts Held

Classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred, on a present value basis. Insurance contracts can also transfer financial risk as long as there is also significant insurance risk.

In addition, the Company holds reinsurance contracts issued by other entities to compensate the Company for claims arising from insurance contracts it has issued. The Company does not issue reinsurance contracts to other entities.

Separation of Components from Insurance Contracts Issued and Reinsurance Contracts Held

The Company assesses its life insurance and reinsurance held contracts to determine whether they contain distinct non-insurance components which must be accounted for under another IFRS standard rather than IFRS 17. After separating any distinct components and accounting for each under the appropriate IFRS, the Company applies IFRS 17 to all remaining components of the insurance contract.

Some contracts issued by the Company include options, including cash surrender and guarantee values, which will be paid in all circumstances, regardless of whether an insured event has occurred. Some reinsurance contracts held by the Company will reimburse a portion of the amounts paid by the Company in all circumstances. These have been assessed to meet the definition of a non-distinct investment component within IFRS 17 and are accounted for on that basis. Non-distinct investment components are excluded from the recognition of Insurance Revenue.

Level of Aggregation

The Company determines its level of aggregation for its insurance contracts by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar insurance risks which are managed together. Portfolios are further divided based on each contract’s expected profitability at inception. While three potential expected profitability levels are defined under IFRS 17, the Company has determined that none of the insurance contracts it issues have no significant risk of becoming onerous and therefore the Company only separates contracts between those that are expected to be onerous contracts (where fulfillment cash outflows for non-financial risk exceed fulfillment cash inflows on a present value basis), and the remainder of contracts.

2. Accounting Policy Changes and Material Accounting Policies (continued)

The Company evaluates the expected profitability of each new contract issued by comparing its specific policy characteristics, including coverage, age, amount and smoker status to a predefined modeled profitability of a similar contract. The Company uses its actuarial and pricing models to establish the predefined profitability expectations and regularly reviews or refines these expectations based on changes in experience.

The Company has defined portfolios of insurance contracts in keeping with its major product lines: Universal Life, Term Life, Critical Illness, Single Premium Immediate Annuities and Segregated Funds. Contracts are further separated by calendar year of issue, except those contracts which were transitioned to IFRS 17 under the fair value approach. In that instance, the groups include contracts issued more than one year apart.

The Company groups its insurance contracts issued, and reinsurance contracts held portfolios separately but in a consistent manner.

Recognition

The Company recognizes groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date; and
- For a group of onerous contracts, when the group becomes onerous if facts and circumstances indicate there is such a group.

The Company recognizes a group of reinsurance contracts held from the beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Contract boundary

The Company includes in the measurement of a group of insurance contracts and reinsurance held contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services.

For life contracts with renewal periods, the Company assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The Company reassesses contract boundary of each group at the end of each reporting period.

2. Accounting Policy Changes and Material Accounting Policies (continued)

Measurement Models

The Company uses two measurement models to value its insurance contracts, the General Measurement Model ("GMM"), and the Variable Fee Approach ("VFA").

Direct participating contracts are measured under VFA and the Company has determined that contracts within the Segregated Funds portfolio meet the requirements of a direct participation contract as follows:

- 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 has determined that insurance contracts within the Life and Wealth portfolios do not meet the above requirements of a direct participation contract and so are appropriately measured using the GMM.

The Company's reinsurance held contracts cover only underlying contracts within the Life portfolio. All reinsurance contracts held are measured under the GMM.

Unless specifically indicated, the following points apply to contracts measured under either the GMM or VFA Measurement Model, and are applied separately for insurance contracts or reinsurance contracts held.

- Insurance Contracts - Initial Measurement

  The general model measures a group of insurance contracts as the total of its fulfillment cash flows and a CSM representing the unearned profit the Company will recognize as it provides insurance contract services under the insurance contracts in the group

- Fulfillment Cash Flows

  Fulfillment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

  The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. Cash flows are probability-weighted and discounted using current assumptions.

  When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

  – Premiums and related cash flows
  – Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
    ◦ Payments to policyholders resulting from embedded surrender value options
    ◦ An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
  – Claims handling costs
  – Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries
  – An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts
  – Transaction-based taxes

  The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

  – Other information about the known or estimated characteristics of the insurance contracts.
  – Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
  – Current pricing information, when available.

2. Accounting Policy Changes and Material Accounting Policies (continued)

- Insurance Acquisition Cash Flows

  Insurance acquisition cash flows arise from selling and underwriting activities required to initiate a group of contracts.

  The measurement of fulfillment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way based on the passage of time.

- Contractual Service Margin

  The CSM represents the unearned profit for a group of insurance contracts that the Company expects to recognize in in the future in insurance revenue as it provides insurance services under those contracts.

  Subsequent measurement of CSM is discussed further below.

- Risk Adjustment

  Risk adjustments for non-financial risk represent the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfills insurance contracts. The risk adjustment considers mortality, lapse and expense risks, includes both favourable and unfavourable outcomes, and reflects diversification benefits from the insurance contracts issued.

  The Company has estimated the risk adjustment using a margin approach. This approach applies a margin for adverse deviation, typically in terms of a percentage of best estimate assumptions, where future cash flows are uncertain. The resulting cash flows are discounted at rates consistent with the best estimate cash flows to arrive at the total risk adjustment. The ranges of these margins are set by the Company and reviewed periodically.

  The risk adjustment for non-financial risk for insurance contracts correspond to a 75%-80% confidence level, on a net of reinsurance contracts held basis.

- Discount Rates

  Insurance contract cash flows are discounted using risk free yield curves adjusted by an illiquidity premium to reflect the liquidity characteristics of the liabilities. Cash flows that vary based on the returns of underlying items are adjusted to reflect their variability under these adjusted yield curves. Each yield curve is interpolated between the spot rate at the last observable market data point and an ultimate spot rate which reflects the long-term real interest rate plus inflation expectations. The spot rates used for discounting the liability cash flows are as follows and include an illiquidity premium determined with reference to net asset spreads indicative of the liquidity characteristics of the liabilities:

	September 30, 2023							
Liquidity Category	Observable Years	Ultimate Year	1 Year	5 years	10 Years	20 years	30 years	Ultimate
Illiquid	30	70	6.24%	5.78 %	5.80 %	5.76 %	5.70 %	5.15 %
Medium Illiquid	30	70	5.73 %	5.27 %	5.28 %	5.25 %	5.19 %	4.65 %

	December 31, 2022							
Liquidity Category	Observable Years	Ultimate Year	1 Year	5 years	10 Years	20 years	30 years	Ultimate
Illiquid	30	70	5.61%	5.10 %	5.15 %	5.32 %	5.29 %	5.15 %
Medium Illiquid	30	70	5.10 %	4.59 %	4.64 %	4.80 %	4.77 %	4.65 %

2. Accounting Policy Changes and Material Accounting Policies (continued)

- Reinsurance Contracts Held – Initial Measurement

  The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

  – Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes

  – The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer using the same confidence interval level

  – The Company recognizes both gains and losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a loss that relates to events before initial recognition.

  Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, it establishes a loss- recovery component depicting the recovery of losses.

  The Company calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. Where only some contracts in the onerous underlying group are covered by the group of reinsurance contracts held, the Company uses a systematic and rational method to determine the portion of losses recognized on the underlying group of insurance contracts to insurance contracts covered by the group of reinsurance contracts held.

  The loss-recovery component adjusts the carrying amount of the reinsurance asset for remaining coverage.

  Where the Company enters into reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognized in profit or loss on initial recognition.

- Insurance Contracts – Subsequent Measurement - GMM

  The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

  – The liability for remaining coverage comprises the fulfillment cash flows that relate to services that will be provided under the contracts in the future periods and 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.

  The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognized in profit or loss, because it relates to future service to be provided.

  The contractual service margin is released into income when insurance contract services are provided, by using coverage units. Coverage units represents the quantity of service (insurance coverage, investment-return and investment-related services) provided and are determined by considering the benefit provided under the contract and its expected coverage duration. When the relative size of the investment-related service coverage or the investment-return service coverage unit is disproportionate compared to the insurance service coverage unit, or vice-versa, the Company must determine a relative weighting of the services to reflect the delivery of each of those services. The Company identifies the coverage units as part of the product governance process and did not identify contracts where such weighting was required.

  For a group of insurance contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

  – The effect of any new contracts added to the group;

  – Interest accreted on the carrying amount of the CSM during the reporting 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 (referred to as the “locked-in discount rate”);

  – The changes in fulfillment cash flows relating to future service, except to the extent that increases in the fulfillment cash flows exceed the carrying amount of the CSM, giving rise to a loss that is immediately recognized into income; and

  – The amount recognized as insurance revenue because of the transfer of insurance contract services in the period.

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period.

The changes in fulfillment cash flows relating to future service that adjust the CSM are comprised of:

– Experience adjustments that arise from the difference between the actual premium receipts and related cash flows versus those expected at the beginning of the period. Differences related to premiums received (or due) related to current or past services are recognized immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM

– Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk, which are recognized in the finance section of the statement of profit or loss.

– Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable.

– Differences between any loan to a policyholder expected to become repayable in the period and the actual amount repaid in the period.

– Changes in the risk adjustment for non-financial risk that relate to future service.

– Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at the locked-in discount rates.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Company recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfillment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognized.

• Reinsurance Contracts Held – Subsequent Measurement - GMM

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

– Changes in the fulfillment cash flows are recognized in profit or loss if the related changes arising from the underlying ceded contracts have been recognized in profit or loss. Alternatively, changes in the fulfillment cash flows adjust the CSM

– Changes in the fulfillment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Any change in the fulfillment cash flows of a retroactive reinsurance contract held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit and loss and not the contractual service margin of the reinsurance contract held.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognized from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Company has established a loss-recovery component, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component reverses consistent with reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the fulfillment cash flows of the group of reinsurance contracts held. Reversals of the loss- recovery component that are not changes in the fulfillment cash flows of the group of reinsurance contracts held adjust the CSM.

Reinsurance assets are assessed for changes in non-performance risk and the effect is recognized in profit or loss in each period.

2. Accounting Policy Changes and Material Accounting Policies (continued)

- Insurance Contracts – Subsequent Measurement - VFA

  For a group of insurance contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

  - The effect of any new contracts added to the group
  - The change in the amount of the Company's share of the fair value of the underlying items except for:
    - The amount of CSM the Company chooses to present in profit or loss to offset the impact from its risk mitigation instruments;
    - The decrease in the amount of the Company's share of the fair value of the underlying items exceeds the carrying amount of the CSM, giving rise to a loss.; or
    - The increase in the amount of Company's share of the fair value of the underlying items that reverses a previously recognized loss.
  - Interest accreted on the carrying amount of the CSM during the reporting period, measured at current discount rates
  - The changes in fulfillment cash flows relating to future service, except:
    - The amount of the CSM the Company chooses to present in profit or loss to offset the impact from its risk mitigation instruments;
    - Such increases in the fulfillment cash flows that exceed the carrying amount of CSM and the group of contracts, giving rise to a loss; or
    - Such decreases in the fulfillment cash flows are allocated to the loss component of the liability for remaining coverage.
  - The amount recognized as insurance revenue because services were provided in the period.

- Insurance and Reinsurance Contracts Held – Modification and Derecognition

  In general, the Company does not permit policy modifications which were not set out in the original contract. The Company has determined that the modifications allowed are not substantial enough to lead to the derecognition of the original contract and thus the contracts continue to be measured as part of the original group.

  The Company derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired).

  Reinsurance assets are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance liabilities are derecognized when the contractual obligations are extinguished or expire or when the contract is transferred to another party.

  Presentation

  The Company presents separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

  The Company disaggregates the amounts recognized in the statement of profit or loss into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income or expenses.

  The Company disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes a portion of the change as part of the insurance service result and a portion as insurance finance income and expense.

  The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

- Insurance Revenue

  The Company's insurance revenue depicts the provision of services arising from a group of insurance contracts. Insurance revenue includes the following:

  - Expected claims and other expenses directly attributable to fulfilling insurance contracts, measured at the amounts expected at the beginning of the period, and excluding investment components and amounts allocated to the loss components;
  - Release of the risk adjustment for the period, excluding amount allocated to the loss component and amounts related to changes in the time value of money, which are recognized in insurance finance income (expenses);
  - CSM amortization to reflect services provided in the period, measured using coverage units for the reporting period as a proportion of the total coverage units;
  - Amortization of insurance acquisition cash flows;

- Premium experience adjustments that relate to current or past service; and
- Expected amounts related to income tax specifically chargeable to the policyholder

- Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have since become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfillment cash flows to:

(i) the loss component; and

(ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfillment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts. The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

- Loss-recovery components

When the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognized from related reinsurance contracts held is disclosed as a loss-recovery component.

Where a loss-recovery component has been set up at initial recognition or subsequently, the Company adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component will not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Company expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognized at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

- Insurance service expenses

Amortization of insurance acquisition cash flows in insurance revenue is an allocation of the portion of the premiums that relates to the recovery of insurance acquisition cash flows, determined in a systematic way based on the passage of time. An equal and offsetting amount is included in insurance service expenses.

Insurance service expenses include the following:

- Claims incurred in the period (excluding investment components and amounts allocated to loss component);
- Expenses incurred that are directly attributable to fulfilling the insurance contracts;
- Losses on onerous contracts and reversals of those losses;
- Changes related to past services;
- Amortization of insurance acquisition cash flows; and
- Impairment and reversals of impairment of assets for insurance acquisition cash flows.

- Insurance finance income (expenses)

The Company does not disaggregate insurance finance income or expenses on insurance contracts issued between profit or loss and OCI. The impact of changes in market interest rates on the value of the life insurance and related reinsurance assets and liabilities are reflected through profit or loss in order to minimize accounting mismatches between the accounting for financial assets and insurance assets and liabilities.

The Company systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using locked-in discount rates determined on initial recognition of the group of contracts, see discussion above for current discount rates.

- Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance held cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income. Amounts relating to the recovery of losses relating to reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

(d) Other Amended International Financial Reporting Standards Adopted in 2023

Amendments to IAS 1 "Presentation of Financial Statements" Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements" were issued in February 2021 and are effective prospectively on or after January 1, 2023 with earlier application permitted. The amendments address the process of selecting accounting policy disclosures, which will be based on assessments of the materiality of the accounting policies to the entity's interim financial statements. Adoption of these amendments did not have a significant impact on the Company's interim financial statements.

Amendments to IAS 8 "Accounting Policies, Changes to Accounting Estimates and Errors" Amendments to IAS 8 "Accounting Policies, Changes to Accounting Estimates and Errors" were issued in February 2021, and are effective prospectively on or after January 1, 2023, with earlier application permitted. The amendments include new definitions of estimate and change in accounting estimate, intended to help clarify the distinction among changes in accounting estimates, changes in accounting policies, and corrections of errors. Adoption of these amendments did not have a significant impact on the Company's interim financial statements.

3. Risk Management

Information related to risk management should be read in conjunction with the information contained in the Risk Management and Controls Practices section of the Company's 2022 consolidated financial statements. Only the risks, and related sensitivities, that have changed materially since December 31, 2022, are discussed below.

(a) Market Risk

Equity Risk

Equity risk is the potential adverse impact on the Company's earnings or capital due to movements in individual equity prices or general movements in the value of the stock market. The Company is exposed to equity risk through the guarantees within its products, and through the impact of policyholder funds invested in accounts which track external equity-related indices such as universal life and segregated funds. The exposure to equity risk arising from death and maturity guarantee provisions included in the Company's segregated funds contracts, as summarized in the table that follows in the Segregated Funds Guarantees and Hedging Strategy section, has declined in recent years due to a de-emphasis of segregated funds sales.

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from changes or volatility in interest rates or credit/swap spreads when asset and liability cash flows do not coincide. The Company is exposed to interest rate risk when the cash flows from assets and the policy obligations they support are mismatched, as this may result in the need to either sell assets to meet policy payments and expenses or reinvest excess asset cash flows in unfavourable interest rate environments. The impact of changes or volatility in interest rates or credit/swap spreads are reflected in the valuation of the Company's financial assets and insurance contract liabilities. The interest rate guarantee provisions included in the Company's universal life contracts, summarized in Note 3(c), represent one of the Company's most significant exposures to interest rate risk. If the Company's investment returns fall below the guaranteed interest rates, it may have to increase liabilities in respect of its universal life contracts.

The following tables set out the potential immediate impacts, on, or sensitivity of, our contractual service margin (pre-tax), common shareholder's profit for the year (after-tax), and OCI to certain instantaneous change in market variables as at September 30, 2023 and December 31, 2022.

Interest rates – yield curve

	As at September 30, 2023			
Change in Interest Rate	50 bps decrease	50 bps increase	100 bps decrease	100 bps increase
Potential Impact on CSM (pre-tax)	$ (5,800)	$ 4,600	$ (11,600)	$ 9,200
Potential Impact on Profit for the Year (after-tax)	28,400	(34,800)	52,800	(72,200)
Potential Impact on Total Equity	$ 28,400	$ (34,800)	$ 52,800	$ (72,200)

	As at December 31, 2022[1]			
Change in Interest Rate	50 bps decrease	50 bps increase	100 bps decrease	100 bps increase
Potential Impact on CSM (pre-tax)	$ (7,700)	$ 6,100	$ (15,300)	$ 12,200
Potential Impact on Profit for the Year (after-tax)	(17,600)	8,000	(45,500)	7,300
Potential Impact on OCI	43,300	(38,700)	91,700	(73,400)
Potential Impact on Total Equity	$ 25,700	$ (30,700)	$ 46,200	$ (66,100)

Equity Markets

	As at September 30, 2023			
Change in Equity Markets[2,3]	10% decrease	10% increase	20% decrease	20% increase
Potential Impact on CSM (pre-tax)	$ (1,600)	$ 1,300	$ (2,400)	$ 2,700
Potential Impact on Profit for the Year (after-tax)	(21,200)	21,400	(43,400)	42,700
Potential Impact on Total Equity	$ (21,200)	$ 21,400	$ (43,400)	$ 42,700

	As at December 31, 2022[1]			
Change in Equity Markets[2,3]	10% decrease	10% increase	20% decrease	20% increase
Potential Impact on CSM (pre-tax)	$ (2,000)	$ 1,700	$ (3,200)	$ 3,600
Potential Impact on Profit for the Year (after-tax)	(20,700)	20,500	(41,600)	41,000
Potential Impact on OCI	$ (100)	$ 100	$ (100)	$ 100
Potential Impact on Total Equity	$ (20,800)	$ 20,600	$ (41,700)	$ 41,100

[1] Effective January 1, 2023, IFRS 17 and IFRS 9 were adopted. December 31, 2022 amounts provided in the table have been adjusted to reflect the adoption of IFRS 17.

[2] CSM, Profit for the Year, OCI and Equity sensitivities have been rounded to increments of hundreds of thousands.

[3] A 25.81% (2022 - 25.83%) effective tax rate was used to estimate profit for the year, reflecting the rate that is applicable to the insurance business.

(b) Segregated Fund Guarantees and Hedging Strategy

The guarantee provisions included in the Company's segregated funds contracts represent one of the Company's exposures to market risk. These guaranteed benefits are linked to underlying fund performance and may be triggered upon death, maturity or withdrawal. The Company established insurance contract liabilities for these guaranteed benefits which reflect the market value of certain hedge instruments as well as the cash flows from these hedge instruments that are available to pay for the guarantees.

The Company uses a semi-static hedge program to significantly reduce exposure to equity risk in its segregated funds. The Company has hedged about 100% (2022 - 100%) of the segregated fund equity exposure and 100% (2022 - 100%) of the currency exposure as measured on an economic basis.

See Note 6(b) for a table summarizing the derivatives used in the Company's hedging programs.

The following table provides information with respect to the maturity, death and withdrawal benefit guarantees provided in the Company's in-force segregated fund policies.

	As at September 30, 2023			As at December 31, 2022		
	Guarantee Value	Fund Value[1]	Amount at Risk	Guarantee Value	Fund Value[1]	Amount at Risk
Maturity Benefit	$ 423,845	$ 765,472	$ 2,586	$ 466,117	$ 822,275	$ 3,363
Death Benefit	711,432	765,472	37,546	771,420	822,275	42,800
Withdrawal Benefit	320,626	765,472	107,111	331,683	822,275	102,977

[1] Fund value includes $136,219 of segregated fund assets included in the invested assets (2022 - $131,224).

3. Risk Management (continued)

(c) Universal Life Minimum Interest Guarantees

The following table shows the total fund value of universal life policyholder funds by their guaranteed interest rates.

	Fund Value[1]	
	As at September 30, 2023	As at December 31, 2022
No guarantee	$ 78,364	$ 69,496
Up to 2%	113,309	113,283
Above 2% and up to 3%	185,281	194,492
Above 3% and up to 4%	701,106	685,804
Total	$ 1,078,060	$ 1,063,075

[1] The Fund Value excludes balances where the credited rate is tied to the policy loan rate.

(d) Insurance Risk

Insurance risk is the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced with respect to mortality and morbidity claims, policyholder behaviour and expenses. It also includes loss resulting from selecting and classifying risks to be insured, the adjudication of claims, the management of contractual product options and the use of reinsurance held.

(i) Insurance Risk, Best Estimate Assumptions and Methodology

The methods of determining the material best estimate assumptions used in the computation of insurance contract liabilities are described in the following paragraphs. The selection and monitoring of appropriate assumptions are designed to minimize the extent to which the Company is financially exposed to measurement uncertainty.

Mortality and Morbidity Assumptions

Mortality refers to the rates at which death occurs for defined groups of insured risks. Best estimate mortality assumptions are based on internal as well as industry experience and are differentiated by gender, underwriting class and policy type.

Morbidity relates to the occurrence of accidents and sickness defined groups for insured risks. Best estimate morbidity assumptions are based on internal as well as industry experience and are differentiated by age, gender, occupation class, smoking status and policy type.

Mortality Improvement Assumptions

As the current downward trend in mortality rates is assumed to continue for some years into the future, a best estimate mortality improvement assumption was established for longer duration individual life insurance contracts, on the basis of recent industry studies. Such assumption increases the insurance contract liabilities net of reinsurance assets as the life insurance portfolio is adversely impacted by older reinsurance arrangements. Mortality improvement is also assumed for single premium annuities.

Lapse Rate Assumptions

The Company bases its estimates of future lapse rates on previous experience for each block of policies and on industry experience where available and appropriate.

For life insurance policies, best estimate lapse rates vary with several factors including: product design, age, the insured's smoking status and policy duration. The margin for adverse deviation is determined dynamically at each policy duration by comparing the policy liability to the non- forfeiture value at that duration.

For segregated fund contracts, expected lapse rates vary with several factors, most notably: the ratio of the current market value to the current guarantee value ("MV/GV ratio"), tax registration status and time remaining to the potential date of claim (term to maturity). The expected lapse rates are reduced by a margin for adverse deviation where the MV/GV ratio is less than 1 and increased by a margin where the MV/GV ratio is greater than 1.

Premium Persistency Assumptions

Best estimates of the amounts and duration of future premium payments on universal life insurance policies are based on past experience and policy level data where available.

Directly Attributable Expense Assumptions

Directly attributable expenses are included in insurance contract liabilities to provide for the future costs of administering in force policies including the costs of premium collection, adjudication and processing of claims, periodic actuarial calculations, and related attributable overhead expenses. Estimates of future policy maintenance expenses are based on the Company's experience as well as estimates of such factors as contractual reductions in outsourced unit costs, estimates for inflation, productivity changes, business volumes and tax rates.

3. Risk Management (continued)

Participating Policies

Insurance contract liabilities for participating policies include the present value of estimated amounts of future policyholder dividends based on current dividend scales.

Adjustable Policies

Expected reductions in 2023 in policy benefits on applicable adjustable policies are immaterial (2022 – immaterial) and have not been used to reduce insurance contract liabilities.

Segregated Fund Hedge Program

The hedge program for segregated funds is reflected in the calculation of the related insurance contract liabilities by modeling the impact of hedge payments under various economic scenarios.

(ii) Insurance Risk Sensitivities

The profit and CSM sensitivities illustrated in the table below are as follows:

	As at September 30, 2023	
	Profit for the year (after-tax)[1]	CSM
2% increase in future mortality	$ 2,600	$ 2,000
2% decrease in future mortality	(2,700)	(2,800)
10% Adverse change in policy termination and renewal	(34,900)	(169,000)
5% increase in expense	(3,800)	(12,200)

	As at December 31, 2022	
	Profit for the year (after-tax)[1]	CSM
2% increase in future mortality	$ 2,900	$ 3,900
2% decrease in future mortality	(4,000)	(3,400)
10% Adverse change in policy termination and renewal	(48,000)	(164,600)
5% increase in expense	(5,300)	(9,900)

[1] An effective tax rate of 25.81% (2022 - 25.83%) is assumed to estimate profit for the year (after-tax).

These sensitivities reflect the impact on profit for the year (after-tax) and CSM of an immediate change in assumptions on the value of insurance contract liabilities. The impact on shareholders' equity equals the profit for the year impact.

Most assumption changes directly impact CSM under IFRS 17, rather than profits. For products measured under the GMM, there is a second-order impact, which captures the difference between the assumption change impact measured at prevailing discount rates and the impact under locked-in discount rates. Most locked-in rates for the calculation of CSM impacts were struck at January 1, 2022 for the in-force portfolio. Given the significant rise in interest rates in 2023, the prevailing discount rates now differ significantly from the locked-in discount rates. Therefore under current market conditions, an assumption change which strengthens liabilities will be measured at lower interest rates in the CSM than prevailing rates, leading to a liability strengthening offset by CSM reduction and an increase to profits due to the interest rate effects.

The CSM outlined above is presented net of reinsurance held.

4. Portfolio Investments

(a) Invested Assets and Derivative Liabilities

Fair values for securities traded on recognized exchanges are determined by reference to quoted market prices. Fair values for investments not traded on recognized exchanges are based on either prevailing market prices for instruments with similar characteristics and risk profiles, or internal or external valuation models using observable market-based inputs, and individual factors such as interest rate yield curves, currency rates, and price and rate volatility, as applicable.

The Company has applied IFRS 9 effective January 1, 2023 and has not restated comparative information for 2022 for financial instruments in the scope of IFRS 9. In adopting IFRS 9, the Company elected to reclassify all financial assets previously designated as Available For Sale ("AFS") under IAS 39 to fair value through profit and loss ("FVTPL") to reduce the potential accounting mismatch. Please refer to Note 2(b) for additional details.

The carrying values and fair values of the Company's cash, invested assets and derivative liabilities, as at September 30, 2023, are summarized in the following table.

4. Portfolio Investments (continued)

	As at September 30, 2023
	Carrying and Fair Value
Cash and cash equivalents	$ 412,033
Short–term investments	818,186
Bonds and debentures	5,173,079
Exchange-traded and mutual funds	2,281,548
Derivative assets	146
Other invested assets:	
Segregated funds seed units	890
Land leases	10
Futures margins	66,340
Accrued investment income	53,154
Total Invested Assets	$ 8,805,386
Derivative Liabilities	$ 1,402

The carrying values, fair values and classification of the Company's cash, invested assets and derivative liabilities, as at December 31, 2022, are summarized in the following table.

	Available-for-Sale	Fair Value Through Profit or Loss	Held-for-Trading	Other	As at December 31, 2022 (restated) Total
	Fair Value	Fair Value	Fair Value	Amortized Cost	Carrying and Fair Value
Cash and cash equivalents	$ 374	$ 74,356	$ —	$ —	$ 74,730
Short–term investments	2,004	1,012,172	—	—	1,014,176
Bonds and debentures	624,083	4,860,755	—	—	5,484,838
Exchange-traded and mutual funds	—	2,097,864	—	—	2,097,864
Derivative assets	—	—	1,096	—	1,096
Other invested assets:					
Segregated funds seed units	871	—	—	—	871
Land leases	—	—	—	70	70
Futures margins	—	68,292	—	—	68,292
Mortgage loans	—	—	—	7	7
Accrued investment income	—	—	—	33,258	33,258
Total Invested Assets	$ 627,332	$ 8,113,439	$ 1,096	$ 33,335	$ 8,775,202
Derivative Liabilities	$ —	$ —	$ 498	$ —	$ 498

(b) Cash and Cash Equivalents

Cash and cash equivalents are made up of the following:

	As at September 30, 2023	As at December 31, 2022
Cash	$ 44,232	$ 42,641
Cash equivalents	367,801	32,089
Cash and cash equivalents	$ 412,033	$ 74,730

4. Portfolio Investments (continued)

(c) Financial Assets Previously Designated as AFS

The following table presents the unrealized gains (losses) of investment assets designated as AFS as at December 31, 2022. In 2023, the Company elected to reclassify all financial assets previously designated as AFS under IAS 39 to fair value through profit and loss to reduce the potential accounting mismatch. Please refer to Note 2(b) for additional details.

	As at December 31, 2022			
	Fair Value	Gross Unrealized Gains	Gross Unrealized (Losses)	AOCI Before Tax
Cash equivalents	$ 374	$ —	$ —	$ —
Short-term investments	2,004	—	—	—
Bonds and debentures	624,083	12,999	(17,317)	(4,318)
Segregated funds seed units	871	596	—	596
Total	$ 627,332	$ 13,595	$ (17,317)	$ (3,722)

(d) Bonds and Debentures

The following tables summarize the fair value and average yield of the Company's investment in bonds and debentures, by type of bond and term to maturity.

	As at September 30, 2023				
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Bonds and Debentures – Fair Value Through Profit or Loss					
Government – Federal					
Carrying value	$ —	$ 23,039	$ 20,965	$ 105,318	$ 149,322
Average yield	0.00 %	4.65 %	4.09 %	3.88 %	4.03 %
Government – Canadian Provincial					
Carrying value	$ 938	$ 33,151	$ 35,429	$ 1,528,506	$ 1,598,024
Average yield	—	4.86 %	4.89 %	4.89 %	4.89 %
Government – Canadian Municipal					
Carrying value	$ 272	$ 338	$ 655	$ 867	$ 2,132
Average yield	5.18 %	5.20 %	4.80 %	5.18 %	5.06 %
Corporate					
Carrying value	$ 17,773	$ 67,621	$ 223,258	$ 2,782,332	$ 3,090,984
Average yield	5.67 %	5.98 %	6.09 %	5.97 %	5.97 %
Foreign Issuers					
Carrying value	$ —	$ —	$ —	$ 332,617	$ 332,617
Average yield	—	—	—	5.96 %	5.96 %
Total	$ 18,983	$ 124,149	$ 280,307	$ 4,749,640	$ 5,173,079

4. Portfolio Investments (continued)

	As at December 31, 2022				
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Bonds and Debentures – Fair Value Through Profit or Loss					
Government – Federal					
Carrying value	$ —	$ 21,195	$ 12,675	$ 83,298	$ 117,168
Average yield	—	3.84 %	3.29 %	3.28 %	3.39 %
Government – Canadian Provincial					
Carrying value	$ —	$ 33,079	$ 37,230	$ 1,382,679	$ 1,452,988
Average yield	—	3.97 %	4.15 %	4.34 %	4.32 %
Government – Canadian Municipal					
Carrying value	$ —	$ 608	$ 672	$ 933	$ 2,213
Average yield	—	4.40 %	4.10 %	4.64 %	4.41 %
Corporate					
Carrying value	$ 1,483	$ 23,778	$ 227,818	$ 2,684,527	$ 2,937,606
Average yield	5.28 %	5.27 %	5.41 %	5.47 %	5.46 %
Foreign Issuers					
Carrying value	$ —	$ —	$ —	$ 350,780	$ 350,780
Average yield	—	—	—	5.50 %	5.50 %
Total	$ 1,483	$ 78,660	$ 278,395	$ 4,502,217	$ 4,860,755
Bonds and Debentures – Available-for-sale					
Government – Federal					
Carrying value	$ 3,187	$ —	$ 8,468	$ 67,573	$ 79,228
Average yield	4.27 %	—	3.30 %	3.34 %	3.38 %
Government – Canadian Provincial					
Carrying value	$ —	$ —	$ —	$ 390,788	$ 390,788
Average yield	—	—	—	4.31 %	4.31 %
Corporate					
Carrying value	$ 30,046	$ 29,894	$ 1,148	$ 92,979	$ 154,067
Average yield	5.00 %	5.03 %	4.95 %	5.54 %	5.33 %
Total	$ 33,233	$ 29,894	$ 9,616	$ 551,340	$ 624,083
Grand Total	$ 34,716	$ 108,554	$ 288,011	$ 5,053,557	$ 5,484,838

(e) Exchange-traded and Mutual Funds

The following table summarizes the fair value of the Company's investment in exchange-traded and mutual funds.

	As at September 30, 2023	As at December 31, 2022 (restated)
	Fair Value	Fair Value
Exchange-traded funds	$ 724,716	$ 600,712
Mutual funds	1,420,613	1,365,928
Segregated Funds Invested Assets	136,219	131,224
Total	$ 2,281,548	$ 2,097,864

4. Portfolio Investments (continued)

(f) Impairment

Management regularly reviews the credit quality of the investment portfolio.

During 2023, there were no impairment requirements, as all financial assets in scope of IFRS 9 are measured as FVTPL. During 2022, there was no impairment on bonds held as AFS assets and there were no recoveries.

(g) Net Investment Income

	For the nine months ended September 30, 2023		
	Fair Value Through Profit or Loss	Amortized Cost	Total
Cash and short–term investments			
Interest income	$ 42,687	$ —	$ 42,687
Gains (losses)[1]	2,940	—	2,940
Bonds and debentures			
Interest income	199,530	—	199,530
Gains (losses)[1]	(346,841)	—	(346,841)
Exchange–traded and mutual funds			
Gains (losses)[1]	128,564	—	128,564
Dividends	22,659	—	22,659
Derivatives			
Gains (losses)[1]	60,852	—	60,852
Land leases	3	—	3
Segregated funds investment gains (losses)	11,535	—	11,535
Miscellaneous income	996	48	1,044
Total investment income (loss)			$ 122,973
Insurance finance income (expenses) for insurance contracts issued			
Interest accreted using current financial assumptions			$ 212,870
Interest accreted using locked-in rate			(211,098)
			$ 1,772
Reinsurance finance income (expenses) for reinsurance contracts held			
Interest accreted using current financial assumptions			$ (146,591)
Interest accreted using locked-in rate			65,173
			$ (81,418)
Decrease (increase) in investment contract liability			
Gross change to other insurance & investment contract liabilities			$ (201)
			$ (201)
Total investment result			$ 43,126
Less: Investment expense			3,488
Less: Investment income tax (IIT)			1,257
Total Investment result after investment expenses and IIT			$ 38,381

[1]Gains (losses) include both realized and unrealized gains (losses) for securities designated as FVTPL.

4. Portfolio Investments (continued)

	For the nine months ended September 30, 2022 (restated)				
	Fair Value Through Profit or Loss	Held for–Trading	Available– for–Sale	Amortized Cost	Total
Cash and short–term investments					
Interest income	$ 8,540	$ —	$ 224	$ —	$ 8,764
Gains (losses)[1]	38,227	—	(14)	—	38,213
Bonds and debentures					
Interest income	153,309	—	19,245	—	172,554
Gains (losses)[1]	(1,219,127)	—	—	—	(1,219,127)
Exchange–traded and mutual funds					
Gains (losses)[1]	(383,056)	—	—	—	(383,056)
Dividends	28,584	—	—	—	28,584
Derivatives					
Gains (losses)[1]	—	(86,577)	—	—	(86,577)
Mortgage loans	—	—	—	1	1
Land leases	—	—	—	8	8
Segregated funds investment gains (losses)	(24,318)	—	—	—	(24,318)
Miscellaneous income	—	—	—	1,373	1,373
Total investment income (loss)					$ (1,463,581)
Insurance finance income (expenses) for insurance contracts issued					
Interest accreted using current financial assumptions					$ 2,748,687
Interest accreted using locked-in rate					(126,593)
					$ 2,622,094
Reinsurance finance income (expenses) for reinsurance contracts held					
Interest accreted using current financial assumptions					$ (818,997)
Interest accreted using locked-in rate					35,025
					$ (783,972)
Decrease (increase) in investment contract liability					
Gross Change to other insurance & investment contract liabilities					$ (186)
					$ (186)
Total investment result					$ 374,355
Less: Investment expense					3,553
Less: Investment income tax (IIT)					1,180
Total Investment result after investment expenses and IIT					$ 369,622

[1]Gains (losses) include both realized and unrealized gains (losses) for securities designated as FVTPL and realized gains (losses) for AFS securities.

(h) Pledged Securities

As part of its derivatives-related activities, the Company has pledged short-term investments as futures margins. Assets pledged by the Company strictly for the purpose of providing collateral to counterparties are classified on the statement of financial position as other invested assets.

The pledged assets will be returned to the Company when the underlying transaction is terminated. In the event of the Company's inability to make payment upon futures settlement, the counterparty would be entitled to apply the collateral in order to settle the liability. Collateral requirements are determined by changes in the market value of the futures contracts outstanding. As at September 30, 2023, the Company pledged securities having a fair value of $66,340 (December 31, 2022 – $68,292).

5. Determination of Fair Value of Financial Instruments

The Company has applied IFRS 9 effective January 1, 2023 and has not restated comparative information for 2022 for financial instruments in the scope of IFRS 9. In adopting IFRS 9, the Company elected to reclassify all financial assets previously designated as Available For Sale ("AFS") under IAS 39 to fair value through profit and loss ("FVTPL") to reduce the potential accounting mismatch. Please refer to Note 2(b) for additional details.

(a) Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: This category includes financial assets and financial liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2: This category includes financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. The main asset classes included in this category are financial assets for which pricing is obtained through pricing services based on broker quotes and not determined in an active market.
- Level 3: This category includes financial assets and financial liabilities whose fair value is determined using a valuation technique (model) for which more than an insignificant level of inputs used in the overall valuation are not market observable.

The following tables present the Company's financial assets and liabilities measured at fair value, and their relative percentages on each level of the fair value hierarchy.

		As at September 30, 2023		
		Fair Value	Level 1	Level 2
Financial Assets				
Fair Value Through Profit or Loss				
Bonds and debentures[1]	$	5,173,079	—	100 %
Exchange-traded and mutual funds		2,281,548	96 %	4 %
Cash and cash equivalents		412,033	100 %	—
Short-term investments		818,186	—	100 %
Futures margins		66,340	—	100 %
Segregated funds seed units		890	100 %	—
Forwards		146	—	100 %
Financial Liabilities				
Forwards	$	1,402	—	100 %
Segregated Fund Assets	$	629,253	92 %	8 %
Insurance contract liabilities for account of segregated fund holders	$	629,253	92 %	8 %

5. Determination of Fair Value of Financial Instruments (continued)

		As at December 31, 2022 (restated)		
		Fair Value	Level 1	Level 2
Financial Assets				
Fair Value Through Profit or Loss				
Bonds and debentures[1]	$	4,860,755	—	100 %
Exchange-traded and mutual funds		2,097,864	96 %	4 %
Cash and cash equivalents		74,356	100 %	—
Short-term investments		1,012,172	—	100 %
Futures margins		68,292	—	100 %
Held-for-trading				
Forwards	$	1,096	—	100 %
Available-for-sale				
Bonds and debentures[1]	$	624,083	—	100 %
Cash and cash equivalents		374	—	100 %
Short-term investments		2,004	—	100 %
Segregated funds seed units		871	100 %	—
Financial Liabilities				
Forwards	$	498	—	100 %
Segregated Fund Assets	$	691,051	91 %	9 %
Insurance contract liabilities for account of segregated fund holders	$	691,051	91 %	9 %

[1] The Company reports bonds issued by Canadian governments as Level 2 consistent with Canadian industry practice.

(b) Movements between Levels 1, Level 2 and Level 3 Financial Instruments

There were no transfers between Level 1 and Level 2 financial instruments during 2023 (2022 - nil).

6. Derivatives

Derivative financial instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, credit spreads, equities or other financial measures. Such instruments include interest rate, foreign exchange, equity and credit derivative contracts.

The Company uses various derivative financial instruments to manage and reduce its exposure to fluctuations in financial risk, including credit, interest rate, currency exchange rate and equity, arising on insurance contract liabilities as part of an asset-liability management program. Prior to 2023, all derivatives were designated as HFT and recorded at fair value with the resulting realized and unrealized gains (losses) recognized immediately in net income (loss). From 2023, all derivatives are at FVTPL.

The Company enters into futures contracts which are derivatives transacted through organized and regulated exchanges and consist primarily of equity futures and options. The remainder of the Company's derivatives comprises over-the- counter transactions that are privately negotiated between the Company and the counterparty to the contract. These consist of currency forwards.

The notional amounts are not recorded as assets or liabilities as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged. Notional amounts do not represent the potential gain (loss) associated with market risk, and are not indicative of the credit risk associated with derivative financial instruments.

OSFI has provided disclosure guidelines for three measures of derivative instruments: the positive replacement cost which is the fair value to the extent it is positive; the credit equivalent amount used to approximate the potential credit exposure; and the risk-weighted credit equivalent amount. The credit equivalent amount is the positive replacement cost plus an amount representing the potential future credit exposure as outlined in OSFI's Capital Requirements Guidelines ("Capital Guidelines"). The risk-weighted credit equivalent amount is the credit equivalent amount weighted according to the nature of the derivative and creditworthiness of the counterparties as outlined in the Capital Guidelines.

6. Derivatives (continued)

	As at September 30, 2023			As at December 31, 2022		
	Positive Replacement Cost[1]	Credit Equivalent Amount	Capital Requirement	Positive Replacement Cost[1]	Credit Equivalent Amount	Capital Requirement
Foreign exchange forward contracts	$ 146	$ 1,299	$ 4	$ 1,096	$ 2,222	$ 7
Total	$ 146	$ 1,299	$ 4	$ 1,096	$ 2,222	$ 7

[1]Total replacement cost of all contracts with positive fair value

(a) Credit Derivatives

Credit derivatives are over-the-counter contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another. The most common credit derivatives are credit default swaps. In credit default swaps, an option purchaser acquires credit protection on a reference asset or group of assets from an option writer in exchange for a premium. The option purchaser may pay the agreed premium at inception or over a period of time. The credit protection compensates the option purchaser for any deterioration in value of the reference asset upon the occurrence of certain credit events such as bankruptcy, credit downgrade or failure to pay. Settlement may be cash-based or physical, requiring the delivery of the reference asset to the option writer.

The Company may enter into credit derivatives to manage the credit exposure in its bond portfolio and may also enter into credit derivatives that sell protection in an effort to make its credit derivative strategy revenue neutral.

(b) Interest Rate Derivatives

Interest rate futures, standardized contracts transacted on an exchange, are based upon an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying fixed income investment and its corresponding market price at a specified future date. There is no actual delivery of the underlying fixed income investment. These contracts are in standard amounts with standard settlement dates.

Certain universal life insurance policies issued by the Company allow the policyholder to select an interest-credited rate that is tied to the movement of a synthetic global government bond fund. The Company uses a futures/money- market investment strategy to hedge this risk and earn a return sufficient to cover the interest credited based on the movement of the synthetic bond fund plus a spread. All interest rate futures invested in by the Company are used to support this investment strategy.

(c) Equity Derivatives

Equity index futures, which are standardized contracts transacted on an exchange, are agreements to pay or receive a cash amount based on the difference between the contracted price level of an underlying stock index and its corresponding market price level at a specified future date. There is no actual delivery of stocks that comprise the underlying index. These contracts are in standard amounts with standard settlement dates.

The Company enters into equity index futures contracts to assist in managing exposures related to the death benefit and maturity guarantees of its segregated fund contracts.

Certain universal life insurance policies issued by the Company allow the policyholder to select an interest-credited rate that is tied to the movement of certain stock exchange indices or mutual funds. The Company uses a combination of investments in Exchange-Traded Funds (“ETFs”), mutual funds and a derivatives strategy to hedge this risk and earn a return sufficient to cover the interest credited based on the movement of these indices plus a spread.

The Company also enters into equity index futures contracts for tactical investment management purposes aimed at reducing its exposure to equity movements.

(d) Foreign Exchange Derivatives

Foreign exchange forward contracts (currency forwards) are over-the-counter contracts in which one counterparty contracts with another to exchange a specified amount of one currency for a specified amount of a second currency, at a future date or range of dates.

The Company enters into currency forward contracts to assist in managing exposures related to the death benefit and maturity guarantees of some of its segregated funds contracts.

Certain universal life insurance policies issued by the Company allow the policyholder to select an interest-credited rate that is tied to the movement of certain stock exchange indices, and in some cases the interest-credited rate is tied to the Canadian dollar equivalent of foreign indices. In these cases, the Company enters into currency forward contracts to manage the foreign currency exposure.

6. Derivatives (continued)

(e) Summary of Notional Amounts and Fair Values of Derivative Investments

The following table, as at the dates noted below, provides a summary of the notional amounts of the Company's derivative investments. All contracts mature within one year.

	As at September 30, 2023	As at December 31, 2022
	Total	Total
Exchange–traded Contracts		
Equity futures and other contracts	$ 555,838	$ 443,919
Interest rate futures contracts	4,379	4,772
Over–the–Counter Contracts		
Foreign exchange forward contracts	(63,748)	(58,833)
Total	$ 496,469	$ 389,858

The following table as at the dates noted below, provides the fair value of the Company's derivative financial instruments. All contracts mature within one year.

	As at September 30, 2023	As at December 31, 2022
	Total	Total
Foreign exchange forward contracts	$ 146	$ 1,096
Derivative assets	146	1,096
Foreign exchange forward contracts	1,402	498
Derivative liabilities	$ 1,402	$ 498

(f) Hedges for Segregated Funds

The Company uses equity futures and currency forwards to hedge exposures related to the death benefit, maturity and withdrawal guarantees of its segregated fund contracts. The equity futures and currency forwards are carried at market value, with gains (losses) recognized immediately in investment income. In addition, interest is earned on short-term investments that are pledged as collateral for the futures.

The following table summarizes the notional amounts and carrying values of derivative instruments in the Company's hedge programs as at

	As at September 30, 2023			As at December 31, 2022		
	Notional Amount	Expiry Date	Carrying Value	Notional Amount	Expiry Date	Carrying Value
Equity futures	$ (69,953)	December 23	$ —	$ (71,168)	March 23	$ —
Foreign exchange forwards	25,322	December 23	73	23,683	March 23	(91)
Total	$ (44,631)		$ 73	$ (47,485)		$ (91)

7. Insurance Contracts

Movements in carrying amounts of insurance and reinsurance contracts held

The following tables present the movement in the net carrying amounts of insurance contracts issued during the period. The changes are due to cash flows and amounts recognized in income.

There are two types of tables presented:

(a) Tables which analyze movements in the liabilities for remaining coverage and liabilities for incurred claims separately and reconciles them to the Statement of Profit or Loss line items.

(b) Tables which analyze movements of contracts by measurement components including estimates of the present value of future cash flows, risk adjustment and CSM for portfolios.

7. Insurance Contracts (continued)

(a) Analysis by remaining coverage and incurred claims

	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Opening insurance contract assets	$ —	$ —	$ —	$ —
Opening insurance contract liabilities	9,515,751	450,084	137,533	10,103,368
Net Opening Balance, January 1, 2023	**$ 9,515,751**	**$ 450,084**	**$ 137,533**	**$ 10,103,368**
Insurance revenue	**(578,298)**	**—**	**—**	**(578,298)**
Insurance service expense				
Incurred claims and other insurance service expenses	—	(11,127)	448,688	437,561
Losses and reversal of losses on onerous contracts (future service)	—	36,420	—	36,420
Changes to liabilities for incurred claims (past service)	—	—	—	—
Amortization of insurance acquisition cash flows	17,962	—	—	17,962
Net impairment of assets for insurance acquisition cash flows				—
	$ 17,962	**$ 25,293**	**$ 448,688**	**$ 491,943**
Investment components	**(128,266)**	**—**	**128,266**	**—**
Insurance service result	**(688,602)**	**25,293**	**576,954**	**(86,355)**
Insurance finance (income) expense	(7,659)	5,887	—	(1,772)
Total changes in statement of profit and loss	**$ (696,261)**	**$ 31,180**	**$ 576,954**	**$ (88,127)**
Cash flows				
Premiums and premium tax received	690,446	—	—	690,446
Claims and other insurance service expenses paid, including investment components	—	—	(586,144)	(586,144)
Insurance acquisition cash flows	(150,115)	—	—	(150,115)
Total cash flows	**$ 540,331**	**$ —**	**$ (586,144)**	**$ (45,813)**
Net closing balance	**9,359,821**	**481,264**	**128,343**	**9,969,428**
Closing insurance contract assets	—	—	—	—
Closing insurance contract liabilities	9,361,474	481,264	128,343	9,971,081
Net Closing Balance, September 30, 2023	**$ 9,361,474**	**$ 481,264**	**$ 128,343**	**$ 9,971,081**

7. Insurance Contracts (continued)

	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Opening insurance contract assets	$ —	$ —	$ —	$ —
Opening insurance contract liabilities	12,111,855	47,345	117,856	12,277,056
Net Opening Balance, January 1, 2022	**$ 12,111,855**	**$ 47,345**	**$ 117,856**	**$ 12,277,056**
Insurance revenue	**(728,377)**	**—**	**—**	**(728,377)**
Insurance service expense				
Incurred claims and other insurance service expenses	—	(3,533)	566,652	563,119
Losses and reversal of losses on onerous contracts (future service)	—	405,943	—	405,943
Changes to liabilities for incurred claims (past service)	—	—	3,100	3,100
Amortization of insurance acquisition cash flows	7,164	—	—	7,164
Net impairment of assets for insurance acquisition cash flows	—	—	—	—
	$ 7,164	**$ 402,410**	**$ 569,752**	**$ 979,326**
Investment components	**(138,998)**	**—**	**138,998**	**—**
Insurance service result	**(860,211)**	**402,410**	**708,750**	**250,949**
Insurance finance (income) expense	(2,437,977)	329	—	(2,437,648)
Total changes in statement of profit and loss	(3,298,188)	402,739	708,750	(2,186,699)
Cash flows				
Premiums and premium tax received	917,235	—	—	917,235
Claims and other insurance service expenses paid, including investment components	—	—	(689,073)	(689,073)
Insurance acquisition cash flows	(215,151)	—	—	(215,151)
Total cash flows	**$ 702,084**	**$ —**	**$ (689,073)**	**$ 13,011**
Net closing balance	**9,515,751**	**450,084**	**137,533**	**10,103,368**
Closing insurance contract assets	—	—	—	—
Closing insurance contract liabilities	9,515,751	450,084	137,533	10,103,368
Net Closing Balance, December 31, 2022	**$ 9,515,751**	**$ 450,084**	**$ 137,533**	**$ 10,103,368**

Assets for insurance acquisition cash flows recognized prior to contract initial recognition date is not significant for the Company.

The allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows in insurance revenue is not significant.

7. Insurance Contracts (continued)

(b) Analysis by measurement component for insurance contracts not measured under PAA

The following table presents the movement in the net assets or liabilities for insurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM.

	Estimates of PV of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Fair Value	Other	
Opening insurance contract assets	$ —	$ —	$ —	$ —	$ —
Opening insurance contract liabilities	7,910,163	1,202,734	835,421	155,050	10,103,368
Net Opening Balance, January 1, 2023	**7,910,163**	**1,202,734**	**835,421**	**155,050**	**10,103,368**
CSM recognized for services provided	—	—	(63,005)	(9,818)	(72,823)
Change in risk adjustment for non-financial risk for risk expired	—	(73,222)	—	—	(73,222)
Experience adjustments	15,411	—	—	—	15,411
Changes that relate to current services	**15,411**	**(73,222)**	**(63,005)**	**(9,818)**	**(130,634)**
Contracts initially recognized during the period	(83,968)	52,329	2	31,704	67
Changes in estimates that relate to change in non-financial assumptions and experience	—	—	—	—	—
Changes in estimates that relate to time value of money and changes in financial assumptions for direct participation contracts	—	—	—	—	—
Total changes in estimates that adjust the CSM	$ (2,203)	$ (14,994)	$ 38,488	$ (17,160)	$ 4,131
Changes in estimates that relate to losses and reversal of losses on onerous contracts	32,036	4,318	—	—	36,354
Changes that relate to future services	**(54,135)**	**41,653**	**38,490**	**14,544**	**40,552**
Adjustments to liabilities for incurred claims	—	—	—	—	—
Changes that relate to past services	**—**	**—**	**—**	**—**	**—**
Net impairment of assets for insurance acquisition cash flows	—	—	—	—	—
Insurance service result	**(38,724)**	**(31,569)**	**(24,515)**	**4,726**	**(90,082)**
Insurance finance (income) expense	14,144	(26,693)	11,664	3,582	2,697
Total changes in income	**$ (24,580)**	**$ (58,262)**	**$ (12,851)**	**$ 8,308**	**$ (87,385)**
Premiums received	691,357	—	—	—	691,357
Claims and other expenses paid	(586,144)	—	—	—	(586,144)
Insurance acquisition cash flows	(150,115)	—	—	—	(150,115)
Total cash flows	**$ (44,902)**	**$ —**	**$ —**	**$ —**	**$ (44,902)**
Net closing balance	**7,840,681**	**1,144,472**	**822,570**	**163,358**	**9,971,081**
Closing insurance contract assets	—	—	—	—	—
Closing insurance contract liabilities	7,840,681	1,144,472	822,570	163,358	9,971,081
Net Closing Balance, September 30, 2023	**$ 7,840,681**	**$ 1,144,472**	**$ 822,570**	**$ 163,358**	**$ 9,971,081**

7. Insurance Contracts (continued)

	Estimates of PV of future cash flows	Risk adjustment for non-financial risk	CSM Fair Value	CSM Other	Total
Opening insurance contract assets	$ —	$ —	$ —	$ —	$ —
Opening insurance contract liabilities	10,213,956	1,322,049	649,128	91,923	12,277,056
Net Opening Balance, January 1, 2022	**10,213,956**	**1,322,049**	**649,128**	**91,923**	**12,277,056**
CSM recognized for services provided	—	—	(66,487)	(11,309)	(77,796)
Change in risk adjustment for non-financial risk for risk expired	—	(108,490)	—	—	(108,490)
Experience adjustments	17,325	—	—	—	17,325
Changes that relate to current services	**17,325**	**(108,490)**	**(66,487)**	**(11,309)**	**(168,961)**
Contracts initially recognized during the period	(119,196)	69,009	31	50,212	56
Changes in estimates that relate to change in non-financial assumptions and experience	—	—	—	—	—
Changes in estimates that relate to time value of money and changes in financial assumptions for direct participation contracts	—	—	—	—	—
Total changes in estimates that adjust the CSM	$ (421,291)	$ 170,873	$ 243,704	$ 22,270	$ (6,714)
Changes in estimates that relate to losses and reversal of losses on onerous contracts	378,954	27,017	—	—	405,971
Changes that relate to future services	**(161,533)**	**266,899**	**243,735**	**72,482**	**399,313**
Adjustments to liabilities for incurred claims	—	—	—	—	—
Changes that relate to past services	**3,100**	**—**	**—**	**—**	**—**
Net impairment of assets for insurance acquisition cash flows	—	—	—	—	—
Insurance service result	(141,108)	158,409	177,248	61,173	255,722
Insurance finance (income) expense	(2,165,190)	(277,724)	9,045	1,954	(2,431,915)
Total changes in income	**$ (2,306,298)**	**$ (119,315)**	**$ 186,293**	**$ 63,127**	**$ (2,176,193)**
Premiums received	906,729	—	—	—	906,729
Claims and other expenses paid	(689,073)	—	—	—	(689,073)
Insurance acquisition cash flows	(215,151)	—	—	—	(215,151)
Total cash flows	**$ 2,505**	**$ —**	**$ —**	**$ —**	**$ 2,505**
Net closing balance	**7,910,163**	**1,202,734**	**835,421**	**155,050**	**10,103,368**
Closing insurance contract assets	—	—	—	—	—
Closing insurance contract liabilities	7,910,163	1,202,734	835,421	155,050	10,103,368
Net Closing Balance, December 31, 2022	**$ 7,910,163**	**$ 1,202,734**	**$ 835,421**	**$ 155,050**	**$ 10,103,368**

7. Insurance Contracts (continued)

(c) Effect on measurement components of contracts initially recognized in the period

	For the nine months ended September 30, 2023		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	$ 83,737	$ 40	$ 83,777
Claims and other insurance service expenses payable	298,077	192	298,269
Estimates of present value of cash outflows	**381,814**	**232**	**382,046**
Estimates of present value of cash inflows	(465,813)	(202)	(466,015)
Risk adjustment for non-financial risk	52,293	36	52,329
CSM	31,706	—	31,706
Total losses recognized on initial recognition	**$ —**	**$ 66**	**$ 66**

	For the year ended December 31, 2022		
	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	$ 143,571	$ 29	$ 143,600
Claims and other insurance service expenses payable	376,238	141	376,379
Estimates of present value of cash outflows	**519,809**	**170**	**519,979**
Estimates of present value of cash inflows	(639,034)	(141)	(639,175)
Risk adjustment for non-financial risk	68,982	28	69,010
CSM	50,243	—	50,243
Total losses recognized on initial recognition	**$ —**	**$ 57**	**$ 57**

8. Investment Contract Liabilities

The Company has classified its individual fixed rate annuities as investment contracts. The related liabilities are the deposit amounts paid to the Company under these contracts accumulated to the current date by applying the contractually guaranteed interest rates.

Investment contract liabilities are measured at amortized cost and recognized when the investment contract is entered into. At initial recognition, the Company records these liabilities at fair value less transaction costs directly attributable to issuance of the investment contract. For subsequent periods, the Company measures the investment contract liabilities at amortized cost using the effective interest method. The liability is derecognized when the investment contract expires, is discharged or is cancelled.

Details of the changes in investment contract liabilities, which consist primarily of fixed rate annuities, are provided below.

	For the period ended	
	September 30, 2023	December 31, 2022
Opening Balance (January 1)	$ 15,046	$ 19,121
Interest	201	149
Withdrawals	(1,875)	(2,009)
Claim payments	(449)	(2,215)
Total net changes	(2,123)	(4,075)
Closing Balance	$ 12,923	$ 15,046

9. Reinsurance Contracts Held

(a) Analysis by remaining coverage and incurred claims

	Assets for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Assets for incurred Claims	Total
Opening reinsurance contract held assets	$ 2,572,810	$ 238,603	$ 150,092	$ 2,961,505
Opening reinsurance contract held liabilities	—	—	—	—
Net Opening Balance, January 1, 2023	**$ 2,572,810**	**$ 238,603**	**$ 150,092**	**$ 2,961,505**
Changes in income	**—**	**—**	**—**	**—**
Allocation of reinsurance premium paid	**(402,514)**	**—**	**—**	**(402,514)**
Amounts recoverable from reinsurers	**—**	**—**	**—**	**—**
Recoveries of incurred claims and other insurance service expenses	$ —	$ 12,763	$ 348,579	$ 361,342
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	(22,078)	—	(22,078)
Adjustments to assets for incurred claims	—	—	—	—
Amortization of insurance acquisition cash flows	—	—	—	—
Insurance service result	**$ (402,514)**	**$ (9,315)**	**$ 348,579**	**$ (63,250)**
Investment components and premium refunds	(6,488)	—	6,488	—
Net expenses from reinsurance contracts	**$ (409,002)**	**$ (9,315)**	**$ 355,067**	**$ (63,250)**
Net finance (income) expense from reinsurance contracts	$ (85,659)	$ 4,241	$ —	$ (81,418)
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Total changes in income	**$ (494,661)**	**$ (5,074)**	**$ 355,067**	**$ (144,668)**
Cash flows				
Premiums paid	$ 307,547	$ —	$ —	$ 307,547
Amounts received	—	—	(340,517)	(340,517)
Total cash flows	**$ 307,547**	**$ —**	**$ (340,517)**	**$ (32,970)**
Net closing balance	**$ 2,385,696**	**$ 233,529**	**$ 164,642**	**$ 2,783,867**
Closing reinsurance contract held assets	2,385,696	233,529	164,642	2,783,867
Closing reinsurance contract held liabilities	—	—	—	—
Net Closing Balance, September 30, 2023	**$ 2,385,696**	**$ 233,529**	**$ 164,642**	**$ 2,783,867**

9. Reinsurance Contracts Held (continued)

	Assets for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Assets for incurred Claims	Total
Opening reinsurance contract held assets	$ 3,483,801	$ 37,400	$ 138,571	$ 3,659,772
Opening reinsurance contract held liabilities	—	—	—	—
Net Opening Balance, January 1, 2022	**$ 3,483,801**	**$ 37,400**	**$ 138,571**	**$ 3,659,772**
Changes in income	**—**	**—**	**—**	**—**
Allocation of reinsurance premium paid	**(479,733)**	**—**	**—**	**(479,733)**
Amounts recoverable from reinsurers	**—**	**—**	**—**	**—**
Recoveries of incurred claims and other insurance service expenses	$ —	$ (16,673)	$ 443,521	$ 426,848
Recoveries and reversals of recoveries of losses on onerous underlying contracts	—	217,379	—	217,379
Adjustments to assets for incurred claims	—	—	—	—
Amortization of insurance acquisition cash flows	—	—	—	—
Insurance service result	**$ (479,733)**	**$ 200,706**	**$ 443,521**	**$ 164,494**
Investment components and premium refunds	(15,239)	—	15,239	—
Net expenses from reinsurance contracts	**$ (494,972)**	**$ 200,706**	**$ 458,760**	**$ 164,494**
Net finance (income) expense from reinsurance contracts	$ (816,322)	$ 497	$ —	$ (815,825)
Effect of changes in non-performance risk of reinsurers	—	—	—	—
Total changes in income	**$ (1,311,294)**	**$ 201,203**	**$ 458,760**	**$ (651,331)**
Cash flows				
Premiums paid	400,303	—	—	400,303
Amounts received	—	—	(447,239)	(447,239)
Total cash flows	**$ 400,303**	**$ —**	**$ (447,239)**	**$ (46,936)**
Net closing balance	**$ 2,572,810**	**$ 238,603**	**$ 150,092**	**$ 2,961,505**
Closing reinsurance contract held assets	2,572,810	238,603	150,092	2,961,505
Closing reinsurance contract held liabilities	—	—	—	—
Net Closing Balance, December 31, 2022	**$ 2,572,810**	**$ 238,603**	**$ 150,092**	**$ 2,961,505**

9. Reinsurance Contracts Held (continued)

(b) Analysis by measurement component for reinsurance contracts held not measured under PAA

The following table presents the movement in the net assets or liabilities for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM.

	Estimates of PV of future cash flows	Risk adjustment for non-financial risk	CSM: Fair value	CSM: Other	Total
Opening reinsurance contract held assets	$ 2,074,615	$ 666,482	$ 239,804	$ (19,396)	$ 2,961,505
Opening reinsurance contract held liabilities	—	—	—	—	—
Net Opening Balance, January 1, 2023	**2,074,615**	**666,482**	**239,804**	**(19,396)**	**2,961,505**
CSM recognized for services received	$ —	$ —	$ (13,628)	$ 1,719	$ (11,909)
Change in risk adjustment for non-financial risk for risk expired	—	(43,237)	—	—	(43,237)
Experience adjustments	13,232	—	—	—	13,232
Changes that relate to current services	**$ 13,232**	**$ (43,237)**	**$ (13,628)**	**$ 1,719**	**$ (41,914)**
Contracts initially recognized during the year	$ (12,276)	$ 20,643	$ 13	$ (8,343)	$ 37
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(27,554)	(99)	(27,653)
Changes in estimates that adjust the CSM	472	381	(1,043)	189	(1)
Changes in estimates that relate to losses and reversal of losses on onerous contracts	6,999	(1,459)	—	—	5,540
Changes that relate to future services	**$ (4,805)**	**$ 19,565**	**$ (28,584)**	**$ (8,253)**	**$ (22,077)**
Adjustments to liabilities for incurred claims	—	—	—	—	—
Changes that relate to past services	**—**	**—**	**—**	**—**	**—**
Insurance service result	**8,427**	**(23,672)**	**(42,212)**	**(6,534)**	**(63,991)**
Insurance finance (income) expense from reinsurance contracts	$ (71,470)	$ (11,832)	$ 3,262	$ (652)	$ (80,692)
Effects of changes in non-performance risk of reinsurers	—	—	—	—	—
Total changes in income	**$ (63,043)**	**$ (35,504)**	**$ (38,950)**	**$ (7,186)**	**$ (144,683)**
Total cash flows	**$ (32,955)**	**$ —**	**$ —**	**$ —**	**$ (32,955)**
Net closing balance	**$ 1,978,617**	**$ 630,978**	**$ 200,854**	**$ (26,582)**	**$ 2,783,867**
Closing reinsurance contract held assets	1,978,617	630,978	200,854	(26,582)	2,783,867
Closing reinsurance contract held liabilities	—	—	—	—	—
Net Closing Balance, September 30, 2023	**$ 1,978,617**	**$ 630,978**	**$ 200,854**	**$ (26,582)**	**$ 2,783,867**

9. Reinsurance Contracts Held (continued)

	Estimates of PV of future cash flows	Risk adjustment for non-financial risk	CSM Fair value	CSM Other	Total
Opening reinsurance contract held assets	$ 2,597,694	$ 752,361	$ 318,337	$ (8,620)	$ 3,659,772
Opening reinsurance contract held liabilities	—	—	—	—	—
Net Opening Balance, January 1, 2022	**2,597,694**	**752,361**	**318,337**	**(8,620)**	**3,659,772**
CSM recognized for services received	$ —	$ —	$ (15,792)	$ 1,076	$ (14,716)
Change in risk adjustment for non-financial risk for risk expired	—	(55,210)	—	—	(55,210)
Experience adjustments	4,876	—	—	—	4,876
Changes that relate to current services	**$ 4,876**	**$ (55,210)**	**$ (15,792)**	**$ 1,076**	**$ (65,050)**
Contracts initially recognized during the year	$ (16,336)	$ 29,221	$ (5)	$ (12,849)	$ 31
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(43,670)	(1,916)	(45,586)
Changes in estimates that adjust the CSM	(81,192)	99,386	(22,109)	3,222	(693)
Changes in estimates that relate to losses and reversal of losses on onerous contracts	278,207	(15,326)	—	—	262,881
Changes that relate to future services	**$ 180,679**	**$ 113,281**	**$ (65,784)**	**$ (11,543)**	**$ 216,633**
Adjustments to liabilities for incurred claims	2,415	—	—	—	2,415
Changes that relate to past services	**$ 2,415**	**$ —**	**$ —**	**$ —**	**$ 2,415**
Insurance service result	187,970	58,071	(81,576)	(10,467)	153,998
Insurance finance (income) expense from reinsurance contracts	(664,113)	(143,950)	3,043	(309)	(805,329)
Effects of changes in non-performance risk of reinsurers	—	—	—	—	—
Total changes in income	**$ (476,143)**	**$ (85,879)**	**$ (78,533)**	**$ (10,776)**	**$ (651,331)**
Total cash flows	**$ (46,936)**	**$ —**	**$ —**	**$ —**	**$ (46,936)**
Net closing balance	**$ 2,074,615**	**$ 666,482**	**$ 239,804**	**$ (19,396)**	**$ 2,961,505**
Closing reinsurance contract held assets	2,074,615	666,482	239,804	(19,396)	2,961,505
Closing reinsurance contract held liabilities					—
Net Closing Balance, December 31, 2022	**$ 2,074,615**	**$ 666,482**	**$ 239,804**	**$ (19,396)**	**$ 2,961,505**

(c) Effect on measurement components of contracts initially recognized in the period

Reinsurance Contracts Held	For the nine months ended September 30, 2023	For the year ended December 31, 2022
Estimates of present value of cash outflows	$ (85,108)	$ (106,471)
Estimates of present value of cash inflows	97,384	122,807
Risk adjustment for non-financial risk	(20,643)	(29,221)
Income recognized on initial recognition	37	31
CSM	$ (8,330)	$ (12,854)

10. Capital Stock

The Company has two classes of authorized capital stock, each without par or stated value.

	September 30, 2023				December 31, 2022			
		Number of shares		$ Amount		Number of shares		$ Amount
Non-voting participating stock								
Authorized		Unlimited	$	—		Unlimited	$	—
Issued:								
Balance, beginning of period		100		518,350		100		518,350
Issued (or redeemed)		645		475,000		—		—
Balance, end of period	$	745	$	993,350	$	100	$	518,350
Redeemable voting stock								
Authorized		Unlimited	$	—		Unlimited	$	—
Issued:								
Balance, beginning of period		68		170		68		170
Issued or (redeemed)		—		—		—		—
Balance, end of period	$	68	$	170	$	68	$	170

All non-voting participating stock is held by WRL.

60 of the redeemable voting stock is held by WRL and the balance of 8 were held in equal parts by two officers of WRL.

The Company is party to a Shareholders' Agreement, dated July 31, 2015, concerning, among other things, the governance of the Company and the disposition of shares of its capital stock.

11. Dividends and Contributed Capital

On July 19, 2023, two dividends totaling $475,000 (2022 - nil) were declared on the issued and outstanding non-voting participating shares in the capital of the Company out of the Company's contributed surplus, evidenced by the issuance of a non-interest bearing demand promissory note for each dividend. The promissory notes were subsequently settled by the issuance of non-voting participating shares (see Capital stock above).

On July 19, 2023, a cash dividend of approximately $68 (2022 - nil) was declared and paid on the outstanding redeemable voting shares out of the Company's contributed capital.

The Company received a cash contribution in 2023 of nil (2022 - $351,045) from its parent.

12. Capital Management

The Company's subsidiaries manage capital in accordance with the Capital Risk Management Policy, which is reviewed and approved by the Company's Board of Directors annually.

The Company's subsidiaries goal is to maintain adequate levels of available capital to provide sufficient margin over capital levels required by the BMA and OSFI to maintain consumer confidence as well as ratings with external rating agencies. The Company's Management engages the Board with regards to actions necessary to maintain appropriate capital levels.

WRC uses the BMA's prescribed formula for measuring capital under its Long-term Business Solvency Margin framework and its capital ratios exceeded the required minimum for the three quarters during 2023 and for each quarter of 2022.

In addition, ivari and the Branch measure capital following OSFI's LICAT and LIMAT Guidelines respectively. For the three quarters of 2023 and at each quarterly reporting period in 2022, both ivari and the Branch ratios exceeded the supervisory targets.

13. Insurance Revenue

(a) Total insurance revenue

	For the nine months ended	
	September 30, 2023	September 30, 2022 (restated)
Contracts not measured under the PAA	$ —	$ —
Amounts relating to changes in liabilities for remaining coverage		
CSM recognized for services provided	72,824	38,434
Change in risk adjustment for non-financial risk for risk expired	71,713	80,712
Expected incurred claims and other insurance service expenses	431,148	432,673
Recovery of insurance acquisition cash flows	17,962	1,606
Total insurance revenue	$ 593,647	$ 553,425

(b) Expectation of when CSM will be recognized in Income

The following table illustrates the expected timing of the CSM amortization into insurance revenue for insurance contracts issued.*

As at	1 year or less	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5 – 10 years	More than 10 years	Total
September 30, 2023	$ 80,600	$ 75,000	$ 73,700	$ 64,700	$ 60,300	$ 241,300	$ 390,300	$ 985,900
December 31, 2022	$ 82,300	$ 76,300	$ 70,900	$ 65,900	$ 61,300	$ 241,300	$ 392,500	$ 990,500

The following table illustrates the expected timing of the CSM amortization into reinsurance contract held net income (expenses) for reinsurance contracts held.*

As at	1 year or less	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	5 – 10 years	More than 10 years	Total
September 30, 2023	$ (14,400)	$ (13,300)	$ (12,100)	$ (11,100)	$ (10,100)	$ (38,900)	$ (74,400)	$ (174,300)
December 31, 2022	$ (18,000)	$ (16,600)	$ (15,200)	$ (13,900)	$ (12,700)	$ (49,000)	$ (95,000)	$ (220,400)

*All figures rounded.

14. Insurance Service and Other Operating Expenses

	For the nine months ended	
	September 30, 2023	September 30, 2022 (restated)
Claims and benefits incurred	$ 403,389	$ 386,695
Allocation of premium directly to recovery of insurance acquisition cash flows	17,962	1,606
Adjustments to the liability for incurred claims	—	—
Losses and reversal of losses on onerous insurance contracts	36,420	16,207
Salaries and other employee benefits	22,484	22,657
General and administrative	95,228	99,587
Interest expense on leases	869	943
Depreciation of fixed assets	664	1,062
Depreciation of right-of-use assets	1,576	2,108
Commissions	49	39
Total expenses	$ 578,641	$ 530,904
Represented by:		
Insurance service expense	$ 502,892	$ 451,370
Operating and administrative expenses	75,749	79,534
Total expenses	$ 578,641	$ 530,904

15. Income Taxes

The Company's income tax expense (recovery) includes provisions for current and deferred taxes as outlined below.

	For the nine months ended	
	September 30, 2023	September 30, 2022 (restated)
Current income taxes:		
Current taxes on income in the year	$ (8,796)	$ (72,549)
Current taxes recovery referring to previous periods	96	4,444
Deferred income taxes:		
Origination and reversal of temporary differences	14,823	(16,289)
Impact of change in tax rates	(231)	—
Deferred taxes referring to previous periods	(862)	(4,737)
	13,730	(21,026)
Income tax recovery (expense) reported in net income	$ 5,030	$ (89,131)

(a) The statutory income tax rate that applies to the Company is adjusted as shown below to derive the effective tax rate in percentages for each of 2023 and 2022.

	September 30, 2023	September 30, 2022 (restated)
Statutory rate	25.30 %	25.81 %
Adjustments:		
Exempt investment income	69.80 %	(1.29)%
Capital taxes and other non-deductible items	34.44 %	0.06 %
True-up of prior years and other adjustments	(45.45)%	0.92 %
Future federal and provincial tax rate changes	(3.69)%	— %
Effective tax rate	80.40 %	25.50 %

(b) The following income tax amounts are included in OCI:

	For the nine months ended	
	September 30, 2023	September 30, 2022 (restated)
Net unrealized losses on AFS securities	$ —	$ 64,050
Less: reclassification of losses on AFS securities to income	—	(6)
Total income tax recovery included in OCI	$ —	$ 64,044

(c) Deferred Tax Asset/(Liability)

(i) The net deferred tax amount includes temporary differences as follows:

	As at September 30, 2023	As at December 31, 2022 (restated)
Insurance contract liabilities	$ 259,574	$ 254,606
Tax credits	41,373	32,268
Other	3,547	6,609
Deferred Tax Asset	$ 304,494	$ 293,483
Investment gains recognized in retained earnings	31,821	34,540
Deferred Tax Liability	$ 31,821	$ 34,540
Net Deferred Tax Asset/(Liability)	$ 272,673	$ 258,943

In September 2023, the Company expects that it will realize sufficient future taxable income to allow it to use $22,947 of Ontario Capital Minimum Tax Credits (2022 -$20,544).

15. Income Taxes (continued)

(ii) Reconciliation of Net Deferred Tax Asset/(Liability)

	As at September 30, 2023	As at December 31, 2022 (restated)
Opening Balance (January 1)	$ 258,943	$ 200,992
Deferred tax benefit during the year recognized in net income	13,730	57,951
Closing Balance	$ 272,673	$ 258,943

(d) The Company paid income taxes in the amount of $14,157 for the nine months ended September 30, 2023 (2022 - $4,504).

16. Segregated Fund Assets and Liabilities

The Company manages a range of segregated funds on behalf of policyholders. The funds fit into the following four types, based on the investments each fund holds:

(1) Money market funds consist of investments that have a term to maturity of less than one year;

(2) Fixed income funds are funds that invest primarily in investment-grade income securities and up to 25% can be invested in diversified equities or high-yield bonds;

(3) Balanced funds are a combination of fixed income securities and equities and the maximum equity component allowed in the portfolio is 75%;

(4) Equity funds consist primarily of broad-based diversified funds that invest in a mix of Canadian, U.S. and/or global equities with low, intermediate or high volatility.

In many cases, the funds invest in mutual funds with the appropriate investment objectives rather than individual securities.

The consolidated schedule of changes in segregated fund assets are as follows:

	For the nine months period to September 30, 2023	For the year ended December 31, 2022 (restated)
Segregated fund assets, beginning of period	$ 691,051	$ 882,289
Additions to segregated funds:		
Deposits	2,468	4,161
Net realized and unrealized gains (losses)	19,229	(90,593)
Interest and dividend income	5,140	15,588
Total additions (deductions)	$ 26,837	$ (70,844)
Deductions from segregated funds:		
Payments to policyholders and their beneficiaries	$ 69,748	$ 92,239
Management fees	17,665	26,291
Other expenses, including GST on management fees	1,222	1,864
Total deductions	$ 88,635	$ 120,394
Segregated fund assets, end of period	$ 629,253	$ 691,051

Segregated fund assets represent underlying items for segregated fund contracts which are the Company's only direct participating contracts.

Within segregated funds, there were no material transfers between Levels 1 and 2 during 2023 (2022 - nil). The fair value of financial instruments categorized as level 3 within segregated funds at the end of 2023 is nil (2022 – $3,477). The change in level 3 comprises of net transfers of $(3,495) (2022 - $2,349) and net realized losses of $18 (2022 - $(26)). For definitions of Levels 1, Level 2 and Level 3, see Note 5.

16. Segregated Fund Assets and Liabilities (continued)

Investment on account of the segregated fund policyholders by asset class are as follows:

	As at			
	September 30, 2023		December 31, 2022 (restated)	
Asset Class	Total	Percent	Total	Percent
Cash and cash equivalents	$ 3,450	1 %	$ 2,896	1 %
Short-terms investments	13,457	2 %	14,988	2 %
Equities	68,724	11 %	76,510	11 %
Bonds	35,765	6 %	41,493	6 %
Mutual funds	507,269	80 %	554,675	80 %
Other assets	588	0 %	489	0 %
Segregated fund assets	$ 629,253	100 %	$ 691,051	100 %

Segregated funds has not changed the basis of disaggregation of insurance finance income or expenses between profit or loss.

Changes on Account of Segregated Fund Policyholders - Insurance Contracts

(a) Changes by Measurement Component

The following reconciliations illustrate the insurance contract liabilities for account of segregated fund holders by measurement component. For insurance contract liabilities for account of segregated fund holders, the entire amount is included in the present value of estimates of future cash flows. Reconciliations for the net liabilities of segregated fund insurance contracts that are not backed by investments for account of segregated fund holders are included as part of the insurance contract liabilities in Note 7.

	September 30, 2023	December 31, 2022 (restated)
Balance, beginning of period (January 1)	$ 691,051	$ 882,289
Insurance finance income (expenses)	(24,369)	75,005
Cash flows:		
Amounts paid to policyholders and other insurance service expenses paid	(68,502)	(89,942)
Management fees	(17,665)	(26,291)
Total cash flows	(86,167)	(116,233)
Balance, end of period	$ 629,253	$ 691,051

16. Segregated Fund Assets and Liabilities (continued)

(b) Changes by Remaining Coverage and Incurred Claims

The following tables show the changes in the liabilities for insurance contracts for account of segregated fund holders by liability for remaining coverage and liability for incurred claims. Reconciliations for the remainder of liabilities for segregated funds that are classified as insurance contracts are in Note 7.

	As at	
	September 30, 2023	December 31, 2022 (restated)
Net liabilities for remaining coverage:		
Balance, beginning of period (January 1)	$ 691,051	$ 882,289
Insurance finance income (expenses)	(24,369)	75,005
Cash flows: Management fees	(17,665)	(26,291)
Expected investment component excluded from insurance revenue	(68,502)	(89,942)
Balance, liability for remaining coverage, end of period	$ 629,253	$ 691,051
Liability for incurred claims:		
Balance, beginning of period (January 1)	$ —	$ —
Cash flows: Amounts paid to policyholders and other insurance service expenses paid	(68,502)	(89,942)
Actual investment component excluded from insurance service expense	68,502	89,942
Balance, liability for incurred claims, end of period	$ —	$ —
Total net insurance contract liability:		
Balance, beginning of period (January 1)	$ 691,051	$ 882,289
Insurance finance income (expenses)	(24,369)	75,005
Cash flows:		
Amounts paid to policyholders and other insurance service expenses paid	(68,502)	(89,942)
Management fees	(17,665)	(26,291)
Total cash flows	$ (86,167)	$ (116,233)
Balance, insurance contracts on account for the segregated fund policyholders, end of period	$ 629,253	$ 691,051

17. Contingencies

Legal matters

The Company is primarily involved as a party to legal actions arising from the normal course of business. The Company has agreed to a mediated settlement of the class action claim related to an alleged “tracking error” in respect of one segregated fund. The court is currently scheduled to hear the settlement approval motion before year end. It is not expected that these legal proceedings will have a material adverse effect on the Company’s consolidated financial position.

18. Subsequent Events

Effective October 3, 2023, the Company and its subsidiaries (including ivari) was acquired by Sagicor Financial Company Ltd. As a result of the acquisition, there are no significant changes to the business operations of Proj Fox Acquisition Inc. However, a reorganization of intermediary and non-operating entities is underway.