Consolidated Financial Statements of

The Independent Order of Foresters

Year ended December 31, 2023

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MANAGEMENT STATEMENT ON RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

Matthew M. Berman
President and Chief Executive Officer

Alvin Sharma
Global Chief Financial Officer

Toronto, Ontario, Canada
February 23, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Independent Order of Foresters

Opinion

We have audited the consolidated financial statements of The Independent Order of Foresters (the Entity), which comprise:

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

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

Other Matter - Changes in Accounting Policies and Comparative Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

February 23, 2024

APPOINTED ACTUARY'S REPORT

To the Board of Directors of The Independent Order of Foresters

I have valued the policy liabilities of The Independent Order of Foresters for its consolidated financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2023.

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

Trudy Engel
Fellow, Canadian Institute of Actuaries

Toronto, Ontario, Canada
February 23, 2024

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

	Note	2023	2022 (Adjusted)
Insurance revenue	5	$ 902,970	$ 883,129
Insurance service expenses	5	(868,344)	(835,990)
Net recovery from reinsurance contracts held	5	40,163	46,202
Insurance service result		74,789	93,341
Interest revenue on financial assets not measured at FVTPL	3	—	44,979
Net investment income (loss)	3	563,415	(1,287,383)
Net investment result excluding result of segregated funds		563,415	(1,242,404)
Net investment income (loss) related to segregated funds net assets		646,565	(605,485)
Financial changes related to segregated funds net liability		(646,565)	605,485
Net investment result of segregated funds		—	—
Investment return		563,415	(1,242,404)
Net finance income (expenses) from insurance contracts	5	(475,809)	1,485,155
Net finance income (expenses) from reinsurance contracts held	5	78,026	(177,945)
Movement in investment contract liabilities		(897)	(555)
Net financial result		164,735	64,251
Fee revenue and other operating income	16	112,524	108,530
Operating expenses	17	(157,996)	(158,429)
Impairment on goodwill and intangibles	11	—	(48,178)
Fraternal investment		(16,221)	(14,290)
Total other income and expenses		(61,693)	(112,367)
Net income (loss) before income taxes		177,831	45,225
Current income tax benefit (expense)	18	(9,085)	(13,837)
Deferred income tax benefit (expense)	18	21,142	46,702
Total income taxes		12,057	32,865
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		$ 189,888	$ 78,090
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES		1,485	(3,684)
TOTAL NET INCOME (LOSS)		191,373	74,406
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to net income			
Remeasurement gains (losses) on employee benefit plans, net of income tax recovery of $683 (2022: $800)	10	(12,526)	(44,932)
Net change in unrealized gains (losses) on property, net of income tax expense $0 (2022: $5,343)		(411)	5,675
Total items that will not be reclassified to net income		(12,937)	(39,257)
Items that are or may be reclassified subsequently to net income			
Net unrealized foreign currency translation gains (losses)		(24,298)	81,826
Net unrealized gains (losses) on AFS assets or debt securities measured at FVOCI, net of income tax recovery of $0 (2022: $13,878)	3	—	(159,781)
Total items that are or may be reclassified subsequently to net income		(24,298)	(77,955)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		(37,235)	(117,212)
TOTAL COMPREHENSIVE INCOME (LOSS)		$ 154,138	$ (42,806)

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

Consolidated Statement of Financial Position
(in thousands of Canadian dollars)

	Note	As at December 31, 2023	As at December 31, 2022 (Adjusted)	As at January 1, 2022 (Adjusted)
ASSETS				
Cash, cash equivalents and short-term securities	3	$ 246,019	$ 279,889	$ 194,615
Financial assets measured at fair value	3	7,130,452	6,770,458	8,174,451
Insurance contract assets	5	8,013	8,155	4,035
Reinsurance contract held assets	5	816,406	653,140	736,882
Accrued investment income		55,115	52,747	50,269
Other assets	8	96,779	110,258	68,434
Property and equipment	9	12,700	16,133	17,956
Current tax assets	18	20,126	22,504	53,984
Deferred tax assets	18	62,961	42,174	17,084
Right of use assets	13	4,707	17,817	11,855
Employee benefit assets	10	—	—	25,595
Goodwill and intangible assets	11	78,949	86,831	136,057
Assets classified as held for sale		—	—	78,000
Net investments for accounts of segregated fund and unit linked contract holders	4	8,353,289	7,807,907	8,775,254
TOTAL ASSETS		**$ 16,885,516**	**$ 15,868,013**	**$ 18,344,471**
LIABILITIES				
Insurance Contract Liabilities – Excluding segregated funds net liabilities	5	$ 5,907,896	$ 5,577,671	$ 7,012,152
Insurance Contract Liabilities – Segregated fund guarantees	5	27	22	47
Insurance Contract Liabilities – Segregated funds net liabilities	5	73,594	73,131	84,686
Reinsurance contract liabilities held	5	2	293	45
Current tax liabilities	18	1,186	1,890	19
Deferred tax liabilities	18	6,539	7,647	35,219
Other liabilities	12	218,402	212,839	230,124
Lease liabilities	13	17,358	35,278	30,664
Subordinated debt	15	248,326	248,104	247,900
Employee benefit obligations	10	61,166	57,595	46,843
Investment contract liabilities - Excluding segregated fund net liabilities	6	28,497	30,077	34,708
Investment contract liabilities - Segregated fund net liabilities	4	8,279,695	7,734,776	8,690,568
TOTAL LIABILITIES		14,842,688	13,979,323	16,412,975
SURPLUS				
Retained earnings		1,836,875	1,770,166	1,634,454
Accumulated other comprehensive income		205,953	118,524	297,042
TOTAL SURPLUS		2,042,828	1,888,690	1,931,496
TOTAL LIABILITIES AND SURPLUS		**$ 16,885,516**	**$ 15,868,013**	**$ 18,344,471**

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

On behalf of the Board:

Matthew M. Berman
President and Chief Executive Officer

Daniel John Fortin
Chair of the Board

Consolidated Statement of Changes in Surplus
For the years ended December 31
(in thousands of Canadian dollars)

		Accumulated Other Comprehensive Income (loss)				
	Retained earnings	**Unrealized gains (losses) on AFS securities**	**Cumulative translation account**	**Net unrealized gains (losses) on property**	**Remeasurement gains (losses) on employee benefit plans**	**Total**
Balance as at December 31, 2021, as previously reported	**$1,676,044**	**$ 35,117**	**$ 215,635**	**$ 59,563**	**$ (13,273)**	**$ 297,042**
Adjustment on initial application of IFRS 17, net of taxes (note 2)	(41,590)	—	—	—	—	—
Adjusted balance as at January 1, 2022	1,634,454	35,117	215,635	59,563	(13,273)	297,042
Net income (loss)	74,406	—	—	—	—	—
Other comprehensive income (loss)	—	(159,781)	81,826	5,675	(44,932)	(117,212)
Total comprehensive income (loss) for the period (adjusted)	74,406	(159,781)	81,826	5,675	(44,932)	(117,212)
Transfers to retained earnings (note 9)	61,306	—	—	(61,306)	—	(61,306)
Adjusted balance as at December 31, 2022	**$1,770,166**	**$ (124,664)**	**$ 297,461**	**$ 3,932**	**$ (58,205)**	**$ 118,524**
Impact of initial application of IFRS 9 financial instruments adoption, net of taxes (note 2)	(124,664)	124,664	—	—	—	124,664
Adjusted balance as at January 1, 2023	1,645,502	—	297,461	3,932	(58,205)	243,188
Net income (loss)	191,373	—	—	—	—	—
Other comprehensive income (loss)	—	—	(24,298)	(411)	(12,526)	(37,235)
Total comprehensive income (loss) for the period	191,373	—	(24,298)	(411)	(12,526)	(37,235)
Balance as at December 31, 2023	**$1,836,875**	**$ —**	**$ 273,163**	**$ 3,521**	**$ (70,731)**	**$ 205,953**

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

Consolidated Statement of Cash Flows
For the years ended December 31
(in thousands of Canadian dollars)

	2023	2022 (Adjusted)
	$	$
Cash flow from operating activities		
Net income (loss)	191,373	74,406
Items not affecting cash:		
Depreciation and amortization on property and equipment and intangible assets	29,164	28,382
Net increase (decrease) in insurance contracts	390,751	(1,853,381)
Net increase (decrease) in reinsurance contracts held	(171,645)	298,731
Net increase (decrease) in investment contracts	(1,571)	(4,449)
Net realized and unrealized gains (losses) on financial investments and derivatives	(289,413)	1,485,990
Amortization of premium and discount on bonds	(140)	(877)
Net foreign currency gains (losses) on other assets and other liabilities	1,497	(1,057)
Employee benefit provision	3,635	1,070
Deferred income tax expense (recovery)	(21,142)	(46,702)
Impairment losses (gains) on property and equipment, goodwill and intangibles	—	48,178
Net change in other assets and other liabilities	(5,729)	(63,338)
Increase (decrease) due to operating activities	**134,206**	**(25,627)**
Cash flow from investing activities		
Investments sold or matured:		
Bonds	2,164,206	2,964,743
Equities	248,032	117,220
Mortgages	2,347	1,299
Investments acquired:		
Bonds	(2,306,515)	(2,780,153)
Equities	(242,746)	(82,860)
Mortgages	(24,700)	(74,617)
Other items, net	11,955	(9,142)
Increase (decrease) due to investing activities	**(147,421)**	**136,490**
Cash flow from financing activities		
Payment of lease liabilities	(13,378)	(18,796)
Interest expense paid	(7,212)	(7,213)
Increase (decrease) due to financing activities	**(20,590)**	**(26,009)**
Effect of movements in exchange rates on cash, cash equivalents and short-term securities held	(65)	420
Net increase (decrease) in cash, cash equivalents and short-term securities	(33,870)	85,274
Cash, cash equivalents and short-term securities, beginning of year	279,889	194,615
Cash, cash equivalents and short-term securities, end of year	**$ 246,019**	**$ 279,889**
Cash, cash equivalents and short-term securities consist of:		
Cash	$ 141,537	$ 106,854
Cash equivalents	22,171	11,982
Short-term securities	82,311	161,053
	$ 246,019	**$ 279,889**

DESCRIPTION OF BUSINESS

The Independent Order of Foresters ("Foresters Financial") is a Fraternal Benefit Society, which provides fraternal benefits to its members as well as individual life insurance, savings and retirement products, through its branch and subsidiary operations in the United States ("U.S."), Canada and the United Kingdom ("U.K.").

Foresters Financial commenced business in Canada in 1881. It is incorporated under the Insurance Companies Act – Canada ("the Act"), and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). In addition, Foresters Financial foreign branch and subsidiary operations are regulated by statutory authorities in the U.S. and the U.K. Foresters Financial's registered office is located at 789 Don Mills Road, Toronto, Ontario M3C 1T9, Canada.

1. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to comparative periods presented in these statements unless otherwise indicated.

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

Note 2 describes the impact of adopting IFRS 9 and IFRS 17, including the key changes from prior accounting standards. Note 1.5 contains updated and revised accounting policies for financial instruments as a result of adopting IFRS 9. Note 1.6 contains updated and revised accounting policies for insurance contracts. There are also significant updates and enhancements found in Note 3 Financial Instruments, Note 5 Insurance Contracts, Note 6 Investment contracts, Note 7 Risk Management Framework and Note 15 Subordinated debt.

1.1 Basis of Presentation

a) Statement of Compliance

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

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

b) Basis of measurement

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

Item	Measurement basis
Financial assets at fair value through profit and loss ("FVTPL")	Fair value
Available-for-sale ("AFS") financial assets (applicable before Jan 1, 2023)	Fair value
Insurance and reinsurance contracts held	Current value as prescribed by IFRS 17
Investment contracts - unit-linked	Fair value
Investment contracts – non-unit linked	Amortized cost
Net defined benefit liability (asset)	Fair value of plan assets less the present value of the defined benefit obligations
Other impaired non-financial assets	Higher of fair value less costs of disposal and value in use

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

c) Functional and presentation currency

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

d) Critical accounting estimates and judgments

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

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

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

Area of judgement	Applicable to Foresters Financial
Financial assets	• Classification of financial assets including assessing the business model in which the asset is managed and the contractual terms of the asset.
	• Determining the fair value of financial assets and financial liabilities.
Insurance contracts issued and reinsurance contracts held	• Classification of insurance contracts issued and reinsurance contracts held, including assessing whether the contract transfers significant insurance risk and whether it contains embedded derivatives, investment components, non-insurance goods and services [Note 5].
	• Whether an insurance contract qualifies as a 'direct participating insurance contract' [Note 5].
	• The level of aggregation of insurance contracts including identifying portfolios and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently [Note 5].
	• Measurement of insurance contracts including future cash flows, risk adjustment for non-financial risk, discount rates, investment components, contractual service margin, weighting of benefits provided by insurance coverage under a contract and allowable expenses [Note 5].
	• Assessing whether the full retrospective transition approach is practicable and estimating the fair value of insurance contracts issued and reinsurance contracts held on transition [Note 5].
Other	• Measurement of employee post-retirement benefit assets and liabilities [Note 10].
	• Impairment of non-financial assets and cash-generating units containing goodwill including assumptions about recoverable amounts [Note 11].
	• Recognition and measurement of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 17].

1.2 Basis of consolidation

The consolidated financial statements include the results of operations and the financial position of all entities controlled by either Foresters Financial or its subsidiaries. Control exists when Foresters Financial or one of its subsidiaries has power to direct the activities that significantly affect returns, exposure or rights to variable returns based on the subsidiary’s performance and the ability to use its power to affect returns. Subsidiaries are fully consolidated from the date on which control is transferred to Foresters Financial until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align with the policies of the group. Intra group transactions are eliminated on consolidation. Foresters Financial’s principal subsidiaries are listed in note 25.

1.3 Segmented reporting

Operating segments have been identified based on internal management reports which are used by senior management to assess performance and make decisions. Foresters Financial has three operating segments and a corporate segment.

The three operating segments are:

- North America Insurance "NAI", which consists of operating results from the Canadian and U.S. operations, sells insurance, annuities and segregated fund products. The

Canadian and U.S. operating segments are aggregated into a single NAI operating segment as they have similar economic characteristics in the following respects: sell similar life protection products, target consumer markets with similar demographic profiles, share back-office functions and resources, and use similar performance indicators to assess the business;

- U.K. Savings, Investments and Protection ("UKSIP") sells protection, pension, unit linked savings and investment products through subsidiary operations;
- Membership works closely with the other operating segments to develop and administer member benefits through Foresters Financial's operations in each country. Membership has no external source of income and its operations are fully funded by the corporate segment.

The Corporate segment holds surplus investments above those required to satisfy management's internal capital targets for each of the three operating segments.

In 2019, Foresters Financial sold assets from its North American Asset Management ("NAAM") segment (see note 20) including the sale of its Canadian subsidiary in the same segment. Management committed to a plan to exit this segment following a strategic decision to place greater focus on the Company's core business of life insurance. As a result, NAAM's financial results were disclosed as discontinued operations in the consolidated statement of comprehensive income (loss).

1.4 Foreign currency

Foreign operations

For Foresters Financial foreign operations, the local currency is the currency used to transact business and has been defined as the functional currency. Foresters Financial's U.S. and U.K. operations prepare their financial statements in U.S. dollars and the British pound sterling, which are their respective functional currencies. These operations transact business only in their functional currencies.

In preparing these consolidated financial statements, the functional currencies of the foreign subsidiaries and branch operations have been translated into Canadian dollars which is the presentation currency. All assets and liabilities are translated at the closing exchange rate at the reporting date, and income and expenses are translated using the average exchange rate for the year. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are presented separately in the currency translation account, a separate component of accumulated other comprehensive income ("AOCI"). When a foreign operation has been sold, these unrealized foreign currency translation gains and losses are recognized in net income.

Monetary and non-monetary assets

Groups of insurance and reinsurance contracts held that generate cash flows in a foreign currency, including the CSM, are treated as monetary items. Foreign exchange differences arising from the translation of monetary items and non-monetary items held at FVTPL are included in net income on the consolidated statement of comprehensive income (loss).

Foreign exchange translation gains and losses attributable to monetary AFS assets are recognized in net income, while translation differences related to non-monetary AFS assets are recognized in other comprehensive income ("OCI"). On the derecognition of non-monetary AFS assets, any exchange gains or losses relating to these items are then recognized in net income.

Foreign currency transactions

Foreign currency transactions are converted to the appropriate functional currency on the date of the transaction.

1.5 Financial assets and financial liabilities

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

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

a) Recognition and initial measurement

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

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

b) Invested assets - classification and measurement for 2023

Classification

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Business model assessment

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

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

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

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

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

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

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

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

i. Measurement after initial recognition

Cash, cash equivalents and short-term securities

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

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

Bonds

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

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

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

Mortgages
Mortgages are designated FVTPL. The fair value of mortgages is calculated by discounting estimated cash flows using a market interest rate. Interest income is recorded as net investment income on an accrual basis using the effective interest method and realized gains (losses) on the sale of mortgages are recorded as net investment income (loss), which is a component of net income (loss) on the consolidated statement of comprehensive income (loss). Changes in the fair value of FVTPL mortgages are recorded as net investment income (loss), a component of net income (loss) on the consolidated statement of comprehensive income (loss).

Derivatives
Foresters Financial utilizes certain derivative financial instruments in portfolios supporting actuarial liabilities in order to hedge against fluctuations in foreign exchange rates and stock market indices. These derivative financial instruments are classified as FVTPL assets or liabilities and are initially recorded at fair value. The fair value of derivative financial instruments is based on quoted market prices, unless they are non-publicly traded in which case fair value is estimated on the basis of models and includes an element of credit risk.

Foresters Financial has presented derivative financial instruments on a net basis where Foresters Financial has the right to offset.

Realized gains and losses on the sale of these instruments are recorded as net investment income (loss) , which is a component of net income (loss) on the consolidated statement of comprehensive income (loss).

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Where the host contract is a financial asset in the scope of IFRS 9, the hybrid financial instrument as a whole is assessed for classification and the embedded derivative is not separated from the host contract.

Other Invested Assets

Limited partnerships

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

Seed money investment in segregated funds

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

ii. Interest income

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

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

c) Financial assets – Classification and Measurement for 2022

Foresters Financial did not apply the overlay approach for IFRS 9 and did not change its classification and measurement of any financial assets held in the 2022 comparative period as a result of the adoption of IFRS 17 and IFRS 9.

i. Classification

Financial assets can be classified as FVTPL assets if they are acquired principally for the purpose of selling or repurchasing in the near term. Financial assets supporting insurance and investment contract liabilities are designated as FVTPL in order to reduce measurement or recognition inconsistencies that would otherwise arise as a result of measuring assets and the corresponding liabilities on different bases. Financial assets supporting surplus are classified as AFS assets. Refer to the table in section 1.5.

ii. Subsequent measurement, gains and losses and interest income

Cash, cash equivalents and short-term securities

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

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

Bonds

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

The fair value of publicly traded bonds is determined using quoted mid-market prices. For non-publicly traded bonds, fair value is determined using a discounted cash flow approach that includes provisions for credit risk and the expected maturities of the securities. Foresters Financial does not have any bonds for which the fair value is determined using a valuation technique based on assumptions that are not supported by observable market prices or rates.

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

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

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

Equities

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

The fair value of publicly traded equities is determined using quoted market closing prices. For non-publicly traded equities, fair value is estimated on the basis of dealer quotes or recent transactions of similar investments. Transaction costs on FVTPL equities are expensed. Directly attributable transaction costs on AFS equities are capitalized as part of the original cost of the equity.

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

Changes in the fair value of FVTPL equities are recorded as net unrealized gains (losses) on fair value through profit and loss investments, a component of net income on the consolidated statement of comprehensive income (loss). Changes in the fair value of AFS equities are recorded as net unrealized gains (losses) on available-for-sale assets, a component of OCI on the consolidated statement of comprehensive income (loss).

Mortgages

Mortgages are designated as either FVTPL or AFS and are initially recorded at fair value.

The fair value of mortgages is calculated by discounting estimated cash flows using a market interest rate. Interest income is recorded as interest on the consolidated statement of comprehensive income (loss) on an accrual basis using the effective interest method and realized gains (losses) on the sale of mortgages are recorded as net realized gains (losses), both of which are component of net income (loss) on the consolidated statement of comprehensive income (loss). Changes in the fair value of FVTPL mortgages are recorded as net change in unrealized gains (losses) on fair value through profit or loss investments, a component of net income (loss) on the consolidated statement of comprehensive income (loss). Changes in fair value of AFS mortgages are recorded as net change in unrealized gains (losses) on available-for-sale assets, a component of OCI on the consolidated statement of comprehensive income (loss).

Other Invested Assets

Limited partnerships

Limited partnerships classified as AFS are recorded at fair value. Foresters Financial does not have joint control or any significant influence over these partnerships. Fair value is based on the net asset value of the investment where Foresters Financial is a limited partner. Changes in fair value are recorded as net unrealized gains (losses) on available-for-sale assets, a component of OCI on the consolidated statement of comprehensive income (loss). Realized gains or losses on sale are recorded as net realized gains (losses), a component of net income on the consolidated statement of comprehensive income (loss).

Limited partnerships supporting insurance contract liabilities are classified as AFS assets and recorded at fair value. Foresters Financial does not have joint control or any significant influence over these partnerships. Fair value is based on the net asset value of the investment where Foresters Financial is a limited partner. Changes in fair value are recorded as net unrealized gains (losses) on fair value through profit and loss investments and realized gains or losses on sale are recorded as net realized gains (losses), both of which are components of net income on the consolidated statement of comprehensive income (loss).

The difference between the proceeds on sale and outstanding principal balance is recorded as net realized gains (losses), a component of net income, on the consolidated statement of comprehensive income (loss).

Seed money investment in segregated funds

Seed money represents Foresters Financial's initial investment in its segregated funds and is measured at fair value. Fair value is based on the net asset value of the segregated investment fund. Changes in fair value are recorded as net unrealized gains (losses) on available-for-sale assets, a component of OCI on the consolidated statement of comprehensive income (loss).

iii. Impairment

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

iv. Derivatives, including embedded derivatives

Foresters Financial applied the same accounting policy as described in Note 1.5(b) for derivatives derecognized prior to 2022, with the exception of embedded derivatives.

Foresters Financial is required to separate embedded derivatives from the host contract, if an embedded derivative has economic and risk characteristics that are not closely related to the host contract, meets the definition of a derivative, and the combined contract is not measured at fair value with changes recognized in income. If an embedded derivative is separated from the host contract, it will be accounted for as a derivative.

d) Financial liabilities

Foresters Financial classifies its financial liabilities into one of the following categories:

- financial liabilities at FVTPL, and within this category as:
  designated as at FVTPL; and
- financial liabilities at amortized cost.

Refer to the table at the beginning of Section 1.5 for the classification of financial liabilities.

Financial liabilities measured at FVTPL

Measured at fair value. Net gains and losses, including any interest expense and foreign exchange gains or losses, are recognized in profit or loss.

Financial liabilities measured at amortized cost

Measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Interest expense is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortized cost of the financial liability.

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

Interest expenses are calculated by applying the effective interest rate to the amortized cost of the liability. When calculating the effective interest rate, Foresters Financial estimates future cash flows considering all contractual terms of the liability.

The calculation of the effective interest rate includes transaction costs, fees and points paid or received (if any) that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issue of a financial liability.

e) Derecognition

i. Financial assets

Foresters Financial derecognizes a financial asset only when the contractual rights to the cash flows from the instrument expire, or when substantially all of the risks and rewards of ownership of the asset are transferred. On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received (including any new asset obtained less new liability assumed) is recognized in net realized gains (losses).

ii. Financial liabilities

Foresters Financial derecognizes a financial liability when its contractual obligations expire or are discharged or cancelled. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in net realized gains (losses).

1.6 Insurance contracts issued and reinsurance contracts held

Foresters Financial uses different measurement approaches depending on the type of contract as follows:

Contracts issued	Product classification	Measurement model
Term life insurance	Insurance contract	General Measurement Model (GMM)
Universal life	Insurance contract	GMM
Payout and deferred annuities	Insurance contract	GMM
Participating and non-participating whole life insurance contracts	Insurance contract	GMM
Closed block participating contracts	Insurance contract	GMM
Segregated funds (North America)	Insurance contract	GMM
Accident and Sickness Insurance	Insurance contract	GMM
Investment contracts with Discretionary Participation Features	Investment contract	GMM
UK conventional and unitized with-profit contracts	Investment contract	Variable Fee Approach (VFA)
UK unit-linked protection contracts	Insurance contract	VFA
Reinsurance contracts held	Insurance contract	GMM

a) Classification

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

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

- quota share reinsurance arrangements held whereby Foresters Financial retains a percentage of the risk associated with life insurance policies, and
- excess of loss reinsurance arrangements whereby risks in excess of established retention limits are ceded to reinsurers.

Reinsurance held transactions do not relieve Foresters Financial of its primary obligation to policyholders. Losses could result if a reinsurer fails to honour its obligations.

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

Some contracts entered into by Foresters Financial have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts'. Foresters Financial issues investment contracts with discretionary participation features, which would be accounted for in accordance with IFRS 17.

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

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- Foresters Financial expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- Foresters Financial 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.

Foresters Financial uses judgment to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value on the underlying items. The measurement approach for insurance contracts with direct participating features is referred to as the variable fee approach. The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee. Direct participating contracts issued by Foresters Financial are contracts with direct participation features where Foresters Financial holds the pool of underlying assets and accounts for these groups of contracts under the VFA.

All other insurance contracts issued and all reinsurance contracts held are classified as contracts without direct participation features.

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

b) Separating components from insurance and reinsurance contracts

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

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

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

c) Level of aggregation

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

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

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

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

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

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

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

d) Recognition

Foresters Financial recognizes a group of insurance contracts issued from the earliest of the following:

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

Investment contracts with discretionary participation features are initially recognised at the date Foresters Financial becomes a party to the contract.

Foresters Financial recognizes a group of reinsurance contracts held initiated that provide proportionate coverage at the same time as an onerous group of underlying contracts when an onerous group of underlying contracts is recognized before the coverage period of the group of reinsurance contracts held or the later of the beginning of the coverage period of the group of reinsurance contracts held and the initial recognition of any underlying contract. Foresters Financial recognizes all other groups of reinsurance contracts held from the beginning of the coverage period of the groups of reinsurance contracts held. The coverage period is the period during which Foresters Financial receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

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

e) Contract boundaries

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

<table>
<tr><td rowspan="2">Insurance contracts</td><td>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Foresters Financial can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

A substantive obligation to provide services ends when:
• Foresters Financial has the practical ability to reassess the risk of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
• Foresters Financial has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.</td></tr>
<tr><td>The reassessment of risks considers only risks transferred from policyholders to Foresters Financial, which may include both insurance and financial risks, but exclude lapse and expense risks.</td></tr>
<tr><td>Reinsurance contracts held</td><td>Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which Foresters Financial is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:
• has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
• has a substantive right to terminate the coverage.</td></tr>
</table>

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

f) Measurement

i. Insurance contracts - initial measurement

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

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

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

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

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

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

ii. Insurance contracts - subsequent measurement

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

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

Insurance contracts without direct participating features

Contracts without direct participating features are measured using the GMM.

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

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

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

- changes that relate to current or past service are recognized in total comprehensive income (loss); and
- changes that relate to future service are recognized by adjusting the CSM or the loss component with the LRC as per the policy below.

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

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, measured at the discount rates determined on initial recognition; and
- changes in the risk adjustment for non-financial risk that relate to future services.

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

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

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

Insurance contracts with direct participating features

Direct participating contracts are contracts under which Foresters Financial obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of Foresters Financial's share of the fair value of the underlying items less fulfillment cash flows that do not vary based on the returns on underlying items.

When measuring a group of direct participating contracts, Foresters Financial adjusts the fulfillment cash flows for the whole of the changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognized in total comprehensive income (loss). Foresters Financial then adjusts any CSM for changes in the amount of Foresters Financial’s share of the fair value of the underlying items, which relate to future services, as explained below.

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

- the CSM of any new contracts that are added to the group in the period;
- the amount of Foresters Financial's share of the change in the fair value of the underlying items and changes in fulfillment cash flows that relate to future services, except to the extent that:

- Foresters Financial has chosen to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items;
- The amount of Foresters Financial's share of a decrease in the fair value of the underlying items, or an increase in the fulfillment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in total comprehensive income (loss) (included in insurance service expenses) and creating a loss component; or
- The amount of Foresters Financial’s share of an increase in the fair value of the underlying items, or a decrease in the fulfillment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognized in total comprehensive income (loss) (included in insurance service expenses);
- The effect of any currency exchange differences on the CSM; and
- The amount recognized as insurance revenue because of the services provided in the period.

For direct participating insurance contracts, the following adjustments do not relate to future service and do not adjust the CSM:

- Changes in the obligation to pay the policyholder the amount equal to the fair value of underlying items;
- Changes in the FCF that do not vary based on the returns of underlying items
  - Changes in the FCF relating to the LIC; and
  - Experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

iii. Reinsurance contracts held - initial measurement

Foresters Financial applies the same accounting policies to measure a group of reinsurance contracts held, with the following modifications.

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

Foresters Financial measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in total comprehensive income (loss).

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

The risk adjustment for non-financial risk is the amount of the risk transferred by Foresters Financial to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfillment cash flows, any derecognized assets for cash flows occurring before the recognition of Foresters Financial and any cash flows arising at that date.

However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then Foresters Financial recognizes the cost immediately in total comprehensive income (loss) as an expense.

Reinsurance contracts held cannot be onerous.

iv. Reinsurance contracts held - subsequent measurement

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

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

g) Derecognition and contract modification

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

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

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

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

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

h) Presentation

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

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

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

Foresters Financial does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

i) Insurance revenue

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

Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
    - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
        - Amounts related to the loss component;
        - Repayments of investment components;
        - Amounts of transaction-based taxes collected in a fiduciary capacity;
        - Insurance acquisition expenses; and
        - The amount related to the risk adjustment for non-financial risk.
    - Changes in the risk adjustment for non-financial risk, excluding;
        - Changes included in insurance finance income (expenses);
        - Changes that relate to future coverage (which adjust the CSM); and
        - Amounts allocated to the loss component;
    - Amounts of the CSM recognized in total comprehensive income (loss) for the services provided in the period; and
    - Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.
- In addition, Foresters Financial allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time over the expected coverage of a group of contracts. Foresters Financial recognizes the allocated amount as insurance revenue and an equal amount as insurance service expenses.

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

Foresters Financial determines coverage units as follows:

- for contracts measured under the GMM, coverage units are determined based on the quantity of benefits provided which incorporates the insurance coverage provided and investment-return services, if any. For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.
- for direct participating contracts, coverage units are based on the quantity of benefits provided which incorporates the insurance coverage and investment management services provided.
- for investment contracts with a discretionary participation feature (DPF), coverage units are based on benefit out go

j) Insurance service expense

Insurance service expenses include the following:

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

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

k) Onerous Contracts and Loss components

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

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

Changes in estimates of cash flows relating to future services and changes in Foresters Financial’s share of the fair value of any underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

l) Net income (expenses) from reinsurance contracts held

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

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

The allocation of reinsurance premiums paid is recognized similarly to insurance revenue. The allocation of reinsurance premiums paid in the reporting period depicts the transfer of received services at an amount that reflects the portion of the ceding premiums Foresters Financial expects to pay in exchange for those services. Refer to Note 5 for more details.

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

m) Transition approach

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

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

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

i. Full retrospective approach

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

Accordingly, Foresters Financial has recognized and measured each group of insurance contracts in this category as if IFRS 17 had always applied; derecognized any existing balances that would not exist had IFRS 17 always applied; and recognized any resulting net difference in surplus.

ii. Fair value approach

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

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

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

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

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

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

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

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

The discount rates at the dates of initial recognition were determined at the transition date as described in note 5.

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

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

Foresters Financial uses the Adjusted Fulfillment Cash Flow method for North America Insurance and UK insurance as the fair value technique.

1.7 Property and equipment

a) Property

Property consists of land and buildings, which are predominantly occupied by Foresters Financial or its subsidiaries.

Land is carried at fair value and is not depreciated. The buildings are carried at fair value. The fair value of property is appraised annually by external independent appraisers and is based on an income approach combining the discounted cash flow method and the direct capitalization method using as inputs rental income from current leases, expenses incurred and other assumptions that market participants would use when pricing property under current market conditions. The changes in fair value are recognized as net change in unrealized gains (losses) on property, a component of OCI in the consolidated statement of comprehensive income (loss).

b) Equipment

Equipment includes leasehold improvements, furniture and computer equipment, which are carried at historical cost less accumulated depreciation and impairment losses.

c) Depreciation

Depreciation is recognized in net income on a straight-line basis over the estimated useful life of the asset as follows:

Asset type	Useful life
Buildings	25 years
Furniture	10 years
Computer equipment	3 - 5 years
Leasehold improvements	the term of the lease

Depreciation and repair and maintenance costs are expensed during the period in which they are incurred, and are included in operating expenses on the consolidated statement of comprehensive income (loss). The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits, in excess of the most recently assessed standard of performance of the existing asset, will flow to Foresters Financial and the renovation replaces an identifiable part of the asset, which is derecognized. Major renovations are depreciated over the remaining useful life of the related asset.

d) Impairment

At each reporting date, Foresters Financial reviews the carrying amounts of its property and equipment to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's value in use and its fair value less costs of disposal. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Revaluation loss on property is recorded in OCI in the current period to the extent that all previously recorded net change in unrealized gains in AOCI have been offset. Any losses not absorbed in this manner are recorded in net income. Impairment loss on equipment is recognized in net income.

1.8 Goodwill and intangible assets

a) Recognition and measurement

i. Goodwill

Acquisitions of businesses where Foresters Financial obtains control are accounted for using the purchase method. This involves allocating the purchase price paid for a business to the assets acquired, including identifiable intangibles and the liabilities assumed, based on their fair values at the date of acquisition. Any excess is recorded as goodwill.

Goodwill is initially measured as the excess of the purchase price of an acquisition of a subsidiary over the fair value of net identifiable assets acquired. After initial recognition, goodwill is carried at cost less any accumulated impairment losses. If the cost of an acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in net income for the year. All goodwill is considered to have an indefinite life and therefore, not amortized.

ii. Intangible assets

Acquired intangibles

Intangible assets acquired through business combinations are comprised of mutual fund, separate accounts, and children's trust fund savings plan asset management contracts, a distribution network, computer software, unit cost reductions and customer relationships.

The initial cost of intangible assets acquired in a business combination is fair value at the date of acquisition. The fair value of acquired identifiable intangible assets is based on an analysis of discounted cash flows. After the date of acquisition, these intangibles are carried at cost less accumulated amortization and impairment losses.

Computer software

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

b) Amortization

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

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

Asset type	Useful life
Unit cost reductions	10 years
Management contracts and customer relationships	5 – 12 years
Software	1 – 5 years

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

c) Impairment

For the purpose of impairment testing, goodwill acquired in business combinations is allocated, from the acquisition date, to each of the cash-generating units ("CGUs") that are expected to benefit from the business combination. A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of cash inflows from other groups of assets.

Goodwill is reviewed at least annually, to assess whether the recoverable amount is in excess of the CGU's carrying amount. Any impairment loss is expensed and allocated against the carrying amount of goodwill. Impairment losses on goodwill are not reversed.

Given the variability of future-oriented financial information, goodwill impairment tests are subjected to sensitivity analysis. The critical estimates pertain to those CGUs where there is little difference between the recoverable amount and the related carrying amount. Details of goodwill are presented in note 11.

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

1.9 Other liabilities

Other liabilities primarily consist of accounts payable, reinsurance financing provision, and accrued expenses.

A provision for onerous contracts is recognized when the expected benefits to be derived from a contract are lower than the cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

1.10 Income taxes

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

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

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

The carrying amount of recognized deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable income will allow the deferred tax assets to be recovered.

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

1.11 Segregated funds

Foresters Financial issues Segregated Funds in Canada and Unit Linked contracts in the U.K. These contracts are collectively referred to as segregated funds. The value of these contracts is directly linked to the fair value of the underlying investments supporting these contracts. The unit holder bears the risks and rewards of the performance of these investments. These contracts are classified as insurance contracts. The Segregated Funds contracts in Canada do not qualify as 'direct participating' insurance contracts as Foresters Financial does not expect a substantial share of the change in the fair value of the underlying to be passed on to policyholders. As such, these contracts and are measured using the GMM. The Unit Linked contracts in the U.K. do qualify as 'direct participating' insurance contracts and are measured using VFA.

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

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

Investment income and changes in the fair value of the segregated fund investments are offset by a corresponding change in the segregated fund liabilities.

a) Net investments for accounts of segregated fund unit holders

These investments are designated at FVTPL at initial recognition. Fair value is determined using quoted market values unless quoted market values are not available, in which case estimated fair values are determined by Foresters Financial, based on dealer quotes or recent transactions of similar investments.

b) Liabilities for account of segregated fund unit holders

These liabilities are measured at fair value reflecting the fair value of the underlying net assets. Certain segregated fund products provide death and maturity benefit guarantees to the unit holder. The liability for these guarantees is recorded under insurance contract liabilities.

1.12 Investment contract liabilities

Investment contracts are those contracts that transfer financial risk, with no significant insurance risk, to Foresters Financial and include deferred annuities with no life contingencies, settlement option annuities with no life contingencies and unit-linked investment contracts in the UK. Deferred annuities with no life contingencies and settlement option annuities with no life contingencies are measured at amortized cost. Unit-linked investment contracts are designated as measured at FVTPL because this eliminates a measurement inconsistency (i.e., accounting mismatch) that would otherwise arise from measuring the supporting assets on a different basis.

For UK unit-linked investment contracts, Foresters Financial's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data. The fair value of financial liabilities for investment contracts without fixed terms is determined using current unit values in which the contractual benefits are denominated. These unit values reflect fair values of the financial assets contained within Foresters Financial's unitized investment funds linked to the financial liability. The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value for the same date. Asset supporting UK unit-linked investment contracts are held in segregated accounts.

When the investment contract has an embedded put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Changes in the fair value of financial liabilities measured at FVTPL are presented in the consolidated statement of comprehensive income (loss).

Like segregated funds, assets supporting unit-linked investment contracts are designated at FVTPL at initial recognition. Foresters Financial presents unit-linked investment contract net assets, which are in the legal name and title of Foresters Financial but are held on behalf of unit holders, as a single line item in the consolidated statement of financial position.

1.13 Employee benefits

Foresters Financial maintains contributory and non-contributory defined benefit pension and post retirement plans, as well as defined contribution pension plans for eligible employees and agents.

a) Defined benefit and post retirement plans

The defined benefit pension plans offer benefits based on length of service and final average earnings and certain plans offer some indexation of benefits. The specific features of these plans vary in accordance with the employee group and countries in which employees are located. In addition, Foresters Financial maintains supplementary non-contributory pension arrangements for eligible employees, primarily for benefits which do not qualify for funding under the various registered pension plans.

Foresters Financial also provides certain post-retirement medical and dental benefits to eligible qualifying employees and to their dependents if certain requirements are met. These post-retirement benefits are not pre-funded.

Foresters Financial's net obligation in respect of defined benefit pension plans and post-retirement benefits is calculated separately for each plan. Plan assets are measured at fair value. The cost of pensions and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary projections, retirement ages of employees and other variables.

Remeasurements arising from defined benefit plans are made up of actuarial gains, the return excluding interest on plan assets and adjustments for the effect of the asset ceiling. All remeasurements are recognized immediately in OCI and all other expenses are reflected in employee benefits within operating expenses on the consolidated statement of comprehensive income (loss).

Employee benefit assets arise from pension plans that are in a surplus position (plan assets are greater than the plan obligations). Employee benefit obligations arise from unfunded plans for supplementary pension and post-retirement benefits and pension plans that are in a deficit position.

The value of any employee benefit asset arising from a defined benefit pension plan is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

b) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which Foresters Financial pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an operating expense in the consolidated statement of comprehensive income (loss) in the periods during which services are rendered by employees.

c) Long-term disability benefits

For claims made under long term disability plans for benefits that are not insured, an obligation is recognized from the date the event occurred that caused the disability. The amount of the obligation which is included under other liabilities is based on the estimated present value of the benefits expected to be paid by Foresters Financial in providing the benefit. The change in the obligation during the year together with any actuarial gains or losses is recognized in net income as an operating expense. Where the claims are fully insured, there is no obligation to recognize and the premiums paid under the insurance policy are recognized as an operating expense.

1.14 Subordinated debt

Subordinated debt is initially recognized at fair value less transaction costs that are directly attributable to its issuance. Subordinated debt is subsequently measured at amortized cost using the effective interest method and interest expense is recognized in total comprehensive income (loss). A gain or loss is recognized in profit or loss when the subordinated debt is derecognized.

1.15 Revenue recognition

Revenue is recognized as follows, after eliminating intra group transactions:

a) Insurance contract revenue

See note 1.6

b) Net investment income

See note 1.5

c) Fee revenue and other operating income

Fee revenue and other operating income is recognized when Foresters Financial satisfies its performance obligations for the related services. Fee revenue primarily consists of investment management fees which are earned on the management of segregated funds. Foresters recognizes this revenue in the amount it has the right to invoice, as services are provided. Investment services are billed and paid for on a monthly or quarterly basis.

1.16 Deferred acquisition costs on investment contracts

Deferred acquisition costs are contract costs incurred on the issue of investment contracts, consisting mainly of incremental commissions and fees paid to intermediaries. These costs are capitalized to the extent that they can be recovered through future expected margins on these contracts, and are reviewed for impairment annually.

1.17 Leases

a) As a lessee

At inception of a contract, Foresters Financial assesses whether a contract is, or contains, a lease, if the contract involves the use of an identified asset and conveys the right to control the use of the asset for a period of time in exchange for consideration.

Foresters Financial recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the amount of lease liability, plus or minus adjustments, such as lease incentives received. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Foresters Financial's incremental borrowing rate. Foresters Financial generally uses its incremental borrowing rate as the discount rate.

Subsequently, the right-of-use asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the carrying amount of the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured to reflect any lease modifications or reassessments.

Foresters Financial presents its right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

Foresters Financial has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Foresters Financial recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b) As a lessor

Where Foresters Financial entered into sublease arrangements as a lessor for office space currently leased by the Company, all leases are classified as finance leases, because these subleases are for the major part of the useful life of the right-of-use asset.

1.18 Contingent liabilities

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

1.19 Fraternal investment

Fraternal investment represents the contribution made by Foresters Financial to support its members, their families and the communities in which they live. These contributions include donations to charities for supporting various community causes, sponsorships for various fund raising programs, support for the volunteer branch system, the provision of scholarships and other benevolent activities. These contributions are recognized as an expense when they are incurred under fraternal investment within the consolidated statement of comprehensive income (loss).

2. ACCOUNTING AND REPORTING CHANGES

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

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

2.1 Adoption of IFRS 17, Insurance contracts

a) Recognition, measurement and presentation of insurance contracts

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

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

Under IFRS 17, insurance acquisition cash flows are generally included in the estimates of the present value of future cash flows of insurance contracts. Previously, acquisition costs were mostly recognized as assets ('deferred acquisition costs') separately from the related insurance contracts.

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

For an explanation of how Foresters Financial accounts for insurance and reinsurance contracts held under IFRS 17, see note 1 Material Accounting Policies.

b) Transition

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

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

Foresters Financial has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the consolidated financial statements at January 1, 2022 are presented in the statement of changes in surplus.

The impact on the consolidated statement of financial position of transitioning to IFRS 17 at January 1, 2022 was a net decrease to the Forester's surplus position of approximately $42m driven largely from liability impacts. The most material factors that increased surplus were due to the following: Removal of economic margins (+$466m); Reflecting diversification benefits in the Risk Adjustment assumption (+$113m); and the treatment of Fraternal benefits resulting in a release of reserves for non-contractual benefits (+$162m). These were offset by the following items that decreased the surplus: Introduction of the Contractual Service Margin (CSM) (-$561m); Reflecting additional cost of guarantees from stochastic modelling (-$112m); Discount rate impacts (-$102m); and other impacts (-$8m).

Insurance contracts issued and reinsurance contracts held

Fair value approach

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

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
    - expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
    - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
    - information required to allocate fixed and variable overheads to groups of contracts, because Foresters Financial's previous accounting policies did not require such information; and
    - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

- The full retrospective approach required assumptions about what management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
    - expectations at contract inception about policyholders' shares of the returns on underlying items at contract inception required for identifying direct participating contracts.

2.2 Adoption of IFRS 9, Financial instruments

a) Classification of financial assets and liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification by looking at its inherent cash flow characteristics. If a financial asset does not have cash flows that consist of payments of principal and interest on the principal amount outstanding, the financial asset must be classified at FVTPL.

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

IFRS 9 has not had a significant impact on Foresters Financial's accounting policies for financial liabilities.

b) Impairment of financial assets

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

c) Hedge accounting

Foresters Financial does not apply hedge accounting.

d) Transition

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

- The comparative period has *not* been restated using the Overlay Approach. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2023. Accordingly, the information presented for 2022 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2023 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at January 1, 2023.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- If an investment in a debt security had low credit risk at January 1, 2023, then Foresters Financial determined that the credit risk on the asset had not increased significantly since initial recognition. Debt security means any cash equivalent, short-term security, bond or mortgage.

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

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

e) Effect of initial application

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

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

Classification of financial assets and financial liabilities:

	Under IAS 39	Under IFRS 9	Under IAS 39	Under IFRS 9
	Original classification	**New classification**	**Original carrying amount**	**New carrying amount**
Financial assets			**$**	**$**
Cash, cash equivalents and short-term securities (supporting liabilities)	Loans and receivables	FVTPL	279,889	279,889
Derivatives	FVTPL	FVTPL (mandatory)	1,794	1,794
Bonds (supporting liabilities)	FVTPL	FVTPL (designated)	4,085,651	4,085,651
Bonds (supporting surplus)	Available for sale	FVTPL (designated)	1,366,579	1,366,579
Mortgages (supporting liabilities)	FVTPL	FVTPL (designated)	73,392	73,392
Mortgages (supporting surplus)	Available for sale	FVTPL (designated)	94,848	94,848
Equities (supporting liabilities)	FVTPL	FVTPL (mandatory)	663,756	663,756
Equities (supporting surplus)	Available for sale	FVTPL (mandatory)	145,292	145,292
Other invested assets (supporting liabilities)	FVTPL	FVTPL (mandatory)	281,246	281,246
Other invested assets (supporting surplus)	Available for sale	FVTPL (mandatory)	57,900	57,900
Accounts receivable	Loans and receivables	Amortized cost	34,643	34,643
Net investment for account of segregated fund holders	FVTPL	FVTPL (mandatory)	7,807,907	7,807,907
Total financial assets			**$ 14,892,897**	**$ 14,892,897**
Financial liabilities				
Other liabilities	Amortized cost	Amortized cost	445,110	445,110
Investment contract liabilities – Non-Unit-Linked	Amortized cost	Amortized cost	30,077	30,077
Investment contract liabilities – Unit-linked	FVTPL	FVTPL (mandatory)	7,734,776	7,734,776
Total financial liabilities			**$ 8,209,963**	**$ 8,209,963**

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

Under IFRS 9, we continue to measure bonds and other debt securities (cash equivalents, short-term investments and mortgages) at FVTPL through the fair value option to eliminate and reduce an accounting mismatch.

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

Foresters Financial's accounting policies for financial instruments are set out in Note 1.

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

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

	December 31, 2022 IAS 39 $	Reclassification $	Remeasurement $	January 1, 2023 IFRS 9 $
FVTPL				
Derivatives	1,794	—	—	1,794
Bonds	4,085,651	—	—	4,085,651
Equities	663,756	—	—	663,756
Mortgages	73,392	—	—	73,392
Other Invested Assets	281,246	—	—	281,246
Reclassified from available for sale and loans and receivables	—	1,944,508	—	1,944,508
Total FVTPL	5,105,839	1,944,508	—	7,050,347
Available for sale				
Bonds	1,366,579	—	—	1,366,579
Equities	145,292			145,292
Mortgages	94,848			94,848
Other Invested Assets	57,900			57,900
Reclassified to FVTPL	—	(1,664,619)	—	(1,664,619)
Total available for sale	1,664,619	(1,664,619)	—	—
Loans and receivables				
Cash, cash equivalents and short-term securities	279,889	—	—	—
Reclassified to FVTPL	—	(279,889)	—	—
Total loans and receivables	279,889	(279,889)	—	—

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

3. FINANCIAL INSTRUMENTS

3.1 Classification

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

	2023				
	FVTPL		Amortized cost	Total carrying amount	Total fair value
	Mandatory	Designated			
	$	$	$	$	$
Cash, cash equivalents and short-term securities	246,019	—	—	246,019	246,019
Bonds	—	5,702,776	—	5,702,776	5,702,776
Equities	906,120	—	—	906,120	906,120
Mortgages	—	185,715	—	185,715	185,715
Derivatives	6,193	—	—	6,193	6,193
Other invested assets	329,648	—	—	329,648	329,648
Total financial assets	1,487,980	5,888,491	—	7,376,471	7,376,471
Net investments for accounts of segregated fund and unit linked contract holders	8,353,289	—	—	8,353,289	8,353,289
Derivative liabilities	26,017	—	—	26,017	26,017
Investment contract liabilities	8,279,695	—	28,497	8,308,192	8,308,192
Total financial liabilities	8,305,712	—	28,497	8,334,209	8,334,209

	2022				
	FVTPL	AFS	Loans and receivables	Total carrying amount	Total fair value
	$	$	$	$	$
Cash, cash equivalents and short-term securities	—	—	279,889	279,889	279,889
Bonds	4,085,651	1,366,579	—	5,452,230	5,452,230
Equities	663,756	145,292	—	809,048	809,048
Mortgages	73,392	94,848	—	168,240	168,240
Derivatives	1,794	—	—	1,794	1,794
Other invested assets	281,246	57,900	—	339,146	339,146
Loans to certificate holders	—	—	316,704	316,704	316,704
Total financial assets	5,105,839	1,664,619	596,593	7,367,051	7,367,051
Net investments for accounts of segregated fund and unit linked contract holders	7,807,907	—	—	7,807,907	7,807,907
Derivative liabilities	37,916	—	—	37,916	37,916
Investment contract liabilities	7,734,776	—	30,077	7,764,853	7,764,853
Total financial liabilities	7,772,692	—	30,077	7,802,769	7,802,769

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

The following table sets out the composition and the fair value of underlying items of direct participating contracts at the reporting date:

	2023	2022
Cash, cash equivalents and short-term securities	$ 13,150	$ 13,790
Bonds and equities	$ 607,951	$ 597,454

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

	2023	2022
Financial assets		
Measured at fair value	$ 5,465,726	$ 5,522,689
Derivative liabilities	$ (28,195)	$ (38,394)

3.2 Fair value measurement

a) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

Bonds, including cash equivalents and short-term securities

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

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

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

Mortgages

The fair value of mortgages is calculated by discounting estimated cash flows using a market interest rate.

Equity sercurities

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

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

Other invested assets

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

Derivative financial instruments

Exchange traded futures and options are valued using prices sourced from the relevant exchange and are treated as Level 1 within the fair value hierarchy. The other derivative financial instruments are valued using valuation techniques based on observable market data and are classified as Level 2 within the fair value hierarchy.

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

b) Financial instruments measured at fair value

The following tables present the financial instruments measured at fair value and classified by the fair value hierarchy:

	Level 1 $	Level 2 $	Level 3 $	Total fair value $
As at December 31, 2023				
Financial assets at FVTPL				
Cash, cash equivalents, short-term securities	141,537	104,482	—	246,019
Bonds	244,041	5,036,056	422,679	5,702,776
Equity securities	262,287	643,833	—	906,120
Mortgages	—	—	185,715	185,715
Derivative assets	—	6,193	—	6,193
Other invested assets	—	71,798	257,850	329,648
	647,865	5,862,362	866,244	7,376,471
Net investments for accounts of segregated fund and unit linked contract holders	7,818,669	534,620	—	8,353,289
Derivative liabilities	—	26,017	—	26,017
Investment contract liabilities - Unit-linked	7,774,526	505,169	—	8,279,695

	Level 1 $	Level 2 $	Level 3 $	Total fair value $
As at December 31, 2022				
Financial assets at FVTPL				
Bonds	237,156	3,521,567	326,928	4,085,651
Equity securities	205,371	458,385	—	663,756
Mortgages	—	—	73,391	73,391
Derivative assets	55	1,739	—	1,794
Other invested assets	—	55,103	226,143	281,246
	442,582	4,036,794	626,462	5,105,838
Net investments for accounts of segregated fund and unit linked contract holders	7,012,043	795,864	—	7,807,907
AFS Financial Assets				
Bonds	—	1,277,016	89,563	1,366,579
Equity securities	21,902	123,390	—	145,292
Mortgages	—	—	94,849	94,849
Derivative assets	—	—	—	—
Other invested assets	—	13,100	44,800	57,900
	21,902	1,413,506	229,212	1,664,620
Derivative liabilities	—	37,916	—	37,916
Investment contract liabilities - Unit-linked	6,969,041	765,735	—	7,734,776

There were no material transfers between Levels 1, 2 and 3 during both years.

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

Financial assets designated at FVTPL

The following changes in fair value have been recognized for investments designated as at FVTPL:

	2023	2022
Change in fair value attributable to changes in credit risk during the year	$ 14,602	$ (29,370)

The change in fair value attributable to changes in credit risk is determined based on the year over year change in option adjusted spreads.

Financial instruments not measured at fair value

All financial instruments are either measured at fair value or the carrying amounts are a reasonable approximation of fair value, such as cash and cash equivalents, short term securities, receivables and payables.

c) Level 3 Fair value measurements

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy and analyses the total gains and losses recognized in profit or loss and OCI during the year.

2023

	FVTPL	
	Bonds and mortgages	**Other invested assets**
	$	**$**
Balance, beginning of year	584,731	270,943
Changes during the year:		
Purchases	82,915	9,965
Sales and redemptions	(48,329)	(15,001)
Total gains (losses)	(10,923)	(8,057)
Transfers into Level 3	—	—
Transfers out of Level 3	—	—
Effect of movements in exchange rates	—	—
Balance, end of year	608,394	257,850
Total gains (losses) recognized in profit or loss		
Other investment revenue	(10,923)	(8,057)
Total gains (losses) recognized in profit or loss for assets and liabilities held at reporting date		
Other investment revenue	(8,367)	(10,899)
Total gains (losses) recognized in OCI		
Net change in fair value	—	—
Net amount reclassified to profit or loss	—	—

	2022						
	FVTPL			AFS			
	Bonds	Mortgages	Other invested assets	Bonds	Mortgages	Other invested assets	Total
	$	$	$	$	$		
Balance, beginning of year	274,183	24,257	168,069	30,591	87,117	44,955	629,172
Changes during the year:							
Purchases	83,975	53,614	73,256	63,511	21,003	—	295,359
Sales and redemptions	(15,140)	(197)	(12,103)	(2,155)	(1,102)	—	(30,697)
Net change in realized and unrealized gains (losses) included in:							
Other comprehensive income (loss)	—	—	—	(2,385)	(12,170)	(154)	(14,709)
Net income (loss)	(16,089)	(4,282)	(3,080)	—	—	—	(23,451)
Balance, end of year	326,929	73,392	226,142	89,562	94,848	44,801	855,674

The effects of unobservable inputs on fair value measurement

The fair value of level 3 assets includes a number of investments that are impacted by different market sensitivities. The significant assumptions used to assess the market sensitivity of these assets include: changes in interest rates, real estate capitalization rates, and in the global infrastructure index. The analysis was based on a 1% increase and a 1% decrease in the relevant sensitivity.

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

	2023		2022	
	1% increase	1% decrease	1% increase	1% decrease
FVTPL assets:	$	$	$	$
Interest rate	(38,721)	38,721	(28,089)	28,089
Real estate capitalization rates	(13,744)	21,424	(14,409)	21,514
Global infrastructure index	(10,322)	10,322	(351)	351
AFS assets:				
Interest rate	—	—	(12,568)	12,568
Global infrastructure index	—	—	(684)	684

3.3 Derivative Financial Instruments

Foresters Financial utilizes derivative financial instruments, including options and foreign exchange forward contracts, when appropriate, to hedge against fluctuations in foreign exchange rates and changes in stock market indices. Foresters Financial does not enter into these financial instruments for trading or speculative purposes. Foresters Financial only enters into derivative financial contracts with approval from the Board of Directors and policies are established to limit counterparty exposure. Adherence to these policies is monitored regularly and reported to the Risk and Investment Committee.

The fair value of Foresters Financial's foreign exchange forward contracts can be positive or negative. Gross derivative counterparty exposure is measured as the total fair value of all outstanding contracts in a gain position (excluding any offsetting contracts in negative positions). Foresters Financial limits the risk of credit losses from derivative counterparties by establishing minimum acceptable counterparty credit ratings of AA, entering into master netting arrangements (based on standard ISDA agreements) and holding collateral to limit credit exposures. The agreements in place with the counterparties give Foresters Financial the option of terminating the contracts early, and closing out all of the positions in place on any given date. Depending on the net aggregate mark-to-market position of all the contracts, a single net settlement will be made where Foresters Financial will either pay or receive funds. Once the settlement has occurred, Foresters Financial will no longer have any further obligations in relation to these contracts. Foresters Financials derivative financial instruments were held with counterparties rated AA or higher as at December 31, 2023 and 2022. At December 31, 2023, the largest single counterparty exposure was $2,130 (2022: $1,321).

Foresters Financial is exposed to credit risk resulting from the potential default of counterparties to the foreign exchange forward contracts that are in a net gain position. For contracts in a net gain position, the counterparty may be required to post collateral to Foresters Financial. No collateral was held in 2023 or 2022 against a net asset of $6,193 (2022: $1,794). For contracts in a net liability position, the counterparties are exposed to credit risk from the potential default by Foresters Financial. Foresters Financial may be required to post collateral to the counterparty for contracts in a net liability position. As at December 31, 2023, Foresters Financial posted collateral with an estimated market value of $22,397 (2022: $34,509) against a net liability of $26,018 (2022: net liability of $37,917). Foresters Financial and the counterparties have the right to sell, pledge, invest, or use any posted collateral. During 2023 and 2022, Foresters Financial did not sell, pledge, invest or use any posted collateral.

Credit quality of the collateral received and posted is monitored regularly. Eligible collateral includes Canadian Federal and Provincial Government fixed income securities, some of which have credit ratings of AAA, and all of which have investment grade ratings.

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

The following table summarizes derivative financial instruments outstanding:

	Notional amount by remaining term to maturity				Fair value		
	Under 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative	Net
As at December 31, 2023							
Foreign exchange forward contracts	419,751	157,362	374,300	951,413	9,227	(29,050)	(19,823)
	419,751	157,362	374,300	951,413	9,227	(29,050)	(19,823)
As at December 31, 2022							
Foreign exchange forward contracts	244,975	142,995	374,900	762,870	3,433	(39,611)	(36,178)
Options purchased	—	—	—	—	277	—	277
Options written	—	—	—	—	—	(221)	(221)
	244,975	142,995	374,900	762,870	3,710	(39,832)	(36,122)

Notional amount represents the face amount of derivative financial instruments to which a rate or price is applied to determine the amount of cash flows to be exchanged. It represents the volume of outstanding derivative financial instruments and does not represent the potential gain or loss associated with market risk or credit risk of such instruments.

Fair value of a derivative financial instrument is equivalent to the replacement cost based on quoted market prices. Positive fair value, representing an unrealized gain to Foresters Financial, is the maximum credit risk measured as at the reporting date if the counterparties were to default on their obligations to Foresters Financial.

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

3.4 Net financial result

a) Net investment income and insurance finance expenses

	2023		
	North America	**United Kingdom**	**Total**
Investment return			
Other investment income	520,937	42,478	563,415
Total investment return	**520,937**	**42,478**	**563,415**
Net finance expenses from insurance contracts			
Changes in fair value of underlying items of direct participating contracts	—	(48,985)	(48,985)
Interest accreted	(185,378)	(1,304)	(186,682)
Effect of changes in interest rates and other financial assumptions	(236,768)	(3,374)	(240,142)
Total net finance expenses from insurance contracts	**(422,146)**	**(53,663)**	**(475,809)**
Net finance income from reinsurance contracts held			
Interest accreted	18,555	360	18,915
Other	58,254	857	59,111
Total net finance income from reinsurance contracts	**76,809**	**1,217**	**78,026**
Movement in investment contract liabilities	(897)	—	(897)
Net financial result	**174,703**	**(9,968)**	**164,735**

	2022		
	North America	**United Kingdom**	**Total**
Investment return			
Interest revenue on financial assets not measured at FVTPL	44,979	—	44,979
Other investment income	(1,196,898)	(90,485)	(1,287,383)
Total investment return	**(1,151,919)**	**(90,485)**	**(1,242,404)**
Net finance expenses from insurance contracts			
Changes in fair value of underlying items of direct participating contracts	—	73,785	73,785
Interest accreted	(168,924)	(901)	(169,825)
Effect of changes in interest rates and other financial assumptions	1,563,441	17,754	1,581,195
Total net finance expenses from insurance contracts	**1,394,517**	**90,638**	**1,485,155**
Net finance income from reinsurance contracts held			
Interest accreted	12,874	209	13,083
Other	(187,986)	(3,042)	(191,028)
Total net finance income from reinsurance contracts	**(175,112)**	**(2,833)**	**(177,945)**
Movement in investment contract liabilities	(555)	—	(555)
Net financial result	**66,931**	**(2,680)**	**64,251**

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

b) Investment income by class of invested asset

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

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

	2023			2022 (Adjusted)			
	FVTPL	Other	Total	FVTPL	AFS	Other	Total
	$	$	$	$	$	$	$
Interest from:							
Cash, cash equivalents and short-term securities	6,914	—	6,914	—	—	4,078	4,078
Bonds	231,758	—	231,758	167,493	45,661	—	213,154
Mortgages	8,740	—	8,740	2,145	4,021	—	6,166
Loans to certificate holders	—	16,599	16,599	—	—	13,767	13,767
	247,412	16,599	264,011	169,638	49,682	17,845	237,165
Dividends from:							
Equities	7,558	—	7,558	12,894	1,324	—	14,218
Other invested assets	22,074	—	22,074	19,723	4,004	—	23,727
Less: Investment expenses	(17,929)	—	(17,929)	(16,100)	(2,822)	—	(18,922)
Net interest and dividends	259,115	16,599	275,714	186,155	52,188	17,845	256,188

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

	2023		2022		
	FVTPL	Total	FVTPL	AFS	Total
	$	$	$	$	$
Bonds	(156,785)	(156,785)	(68,455)	(96,997)	(165,452)
Equities	21,137	21,137	15,632	1,620	17,252
Derivatives	(23)	(23)	(10,995)	—	(10,995)
Other invested assets	2,842	2,842	2,057	—	2,057
Net realized gains (losses)	(132,829)	(132,829)	(61,761)	(95,377)	(157,138)

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

	2023	2022
	$	$
Bonds	357,124	(1,213,161)
Equities	56,245	(95,010)
Mortgages	(609)	(7,933)
Derivatives	15,813	(14,388)
Other invested assets	(6,354)	(9,355)
Net change in unrealized gains (losses) on FVTPL instruments	422,219	(1,339,847)

The net foreign currency gains (losses) on FVTPL assets, recognized in net investment income (loss) in 2023 was $(1,689).

The net foreign currency gains (losses) on AFS assets, recognized in net investment income (loss) in 2022 was $(1,607).

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

4. INVESTMENTS FOR ACCOUNT OF SEGREGATED FUND UNIT HOLDERS

a) Segregated fund net assets

The following table shows the breakdown of segregated fund assets by category of asset:

	2023 $	2022 $
Cash, cash equivalents and short - term securities	60,613	56,324
Bonds	517,124	777,959
Equities	7,694,605	6,906,544
Other assets net of liabilities	83,829	69,767
Total net assets	8,356,171	7,810,594
Less: segregated fund seed money investment	2,882	2,687
Segregated fund net assets	8,353,289	7,807,907

b) Movement in segregated fund net assets

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

	2023 $	2022 (Adjusted) $
Balance, beginning of year	7,807,907	8,775,254
Additions to the accounts of the unit holders:		
Deposits received from unit holders	884,136	865,646
Investment income	1,904	1,703
Net realized gains on sale of investments	316,222	76,853
Net change in unrealized gains on investments	443,755	—
Other adjustments	—	24,036
	1,646,017	968,238
Deductions to the accounts of the unit holders:		
Amounts withdrawn or transferred by unit holders	1,211,340	892,798
Net change in unrealized losses on investments	—	569,138
Management fees and other operating costs	115,316	100,397
	1,326,656	1,562,333
Less: (Income) Losses on segregated fund seed money investment	195	11
Effect of change in foreign exchange rates	225,826	(373,263)
Balance, end of year	8,353,289	7,807,907

The change in investment contract liabilities for accounts of segregated fund unit holders had an equal and offsetting change during the year.

c) Investment risks associated with segregated funds

Segregated fund net assets may be exposed to a variety of financial and other risks. These risks are primarily mitigated by investment guidelines that are actively monitored by professional and experienced portfolio managers. Investment returns on these products belong to the unit holders, accordingly, Foresters Financial does not bear the risk associated with these assets outside of guarantees offered on certain variable annuity products. For information regarding the risks associated with the annuity and segregated funds guarantees see note 7.

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

5. INSURANCE CONTRACTS ISSUED AND REINSURANCE CONTRACTS HELD

Foresters Financial's insurance and reinsurance contracts held as at December 31 were as follows:

	2023		2022 (Adjusted)	
	NAI	**UK SIP**	**NAI**	**UK SIP**
	$	**$**	**$**	**$**
Insurance contracts issued				
Insurance contract liabilities	5,288,336	619,587	4,949,245	628,448
Segregated funds liabilities	73,594	—	73,131	—
Insurance contract assets	(8,013)	—	(8,155)	—
	5,353,917	619,587	5,014,221	628,448
Reinsurance contracts held				
Reinsurance contract assets	800,699	15,707	637,732	15,408
Reinsurance contract liabilities	(2)	—	(293)	—
	800,697	15,707	637,439	15,408

5.1 Movements in carrying amounts

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

For each segment, Foresters Financial presents a table that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the consolidated statement of comprehensive income (loss).

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

The estimates of the present value of the future cash flows from insurance and reinsurance contract held assets represent Foresters Financial’s maximum exposure to insurance risk from these assets.

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

a) NAI

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

	2023				2022			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Beginning of Period								
Opening balance insurance contract assets	(10,482)	1,624	703	(8,155)	(4,921)	—	886	(4,035)
Opening balance insurance contract liabilities	4,372,117	254,175	322,931	4,949,223	5,778,215	92,678	309,325	6,180,218
Net opening insurance contract balances	4,361,635	255,799	323,634	4,941,068	5,773,294	92,678	310,211	6,176,183
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(692,797)	—	—	(692,797)	(737,973)	—	—	(737,973)
Other contracts	(189,793)	—	—	(189,793)	(141,532)	—	—	(141,532)
Insurance revenue	(882,590)	—	—	(882,590)	(879,505)	—	—	(879,505)
Incurred claims and other insurance service expenses	—	(19,400)	613,552	594,152	—	(5,084)	613,667	608,583
Amortization of insurance acquisition cash flows	86,858	—	—	86,858	54,451	—	—	54,451
Losses and reversal of losses on onerous contracts	—	176,975	—	176,975	—	161,508	—	161,508
Adjustments to liabilities for incurred claims	—	—	(3,219)	(3,219)	—	—	(2,847)	(2,847)
Insurance service expenses	86,858	157,575	610,333	854,766	54,451	156,424	610,820	821,695
Investment components	(389,224)	—	389,224	—	(348,300)	—	348,300	—
Insurance service result	(1,184,956)	157,575	999,557	(27,824)	(1,173,354)	156,424	959,120	(57,810)
Net finance (income) expenses from insurance contracts	417,427	2,186	2,533	422,146	(1,388,436)	391	(6,472)	(1,394,517)
Effect of movements in exchange rates	(69,044)	(4,771)	(4,671)	(78,486)	226,344	6,306	14,607	247,257
Total changes in the statement of comprehensive income (loss) and OCI	(836,573)	154,990	997,419	315,836	(2,335,446)	163,121	967,255	(1,205,070)
Cash flows								
Premiums received	1,296,612	—	—	1,296,612	1,250,471	—	—	1,250,471
Claims, benefits and other expenses paid	—	—	(1,011,411)	(1,011,411)	—	—	(953,832)	(953,832)
Insurance acquisition cash flows	(261,809)	—	—	(261,809)	(326,684)	—	—	(326,684)
Total cash flows	1,034,803	—	(1,011,411)	23,392	923,787	—	(953,832)	(30,045)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—
Net ending insurance contract balances	4,559,865	410,789	309,642	5,280,296	4,361,635	255,799	323,634	4,941,068
End of Period								
Ending balance insurance contract assets	(16,037)	6,690	1,334	(8,013)	(10,482)	1,624	703	(8,155)
Ending balance insurance contract liabilities	4,575,902	404,099	308,308	5,288,309	4,372,117	254,175	322,931	4,949,223
Net ending insurance contract balances	4,559,865	410,789	309,642	5,280,296	4,361,635	255,799	323,634	4,941,068

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

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

	2023				2022			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Beginning of Period								
Opening balance insurance contract assets	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities - Segregated funds guarantees	22	—	—	22	47	—	—	47
Opening balance insurance contract liabilities - Segregated funds net liabilities	73,131	—	—	73,131	84,686	—	—	84,686
Net opening insurance contract balances	73,153	—	—	73,153	84,733	—	—	84,733
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	5	—	—	5	(25)	—	—	(25)
Other contracts	—	—	—	—	—	—	—	—
Insurance revenue	5	—	—	5	(25)	—	—	(25)
Incurred claims and other insurance service expenses	—	—	—	—	—	—	—	—
Amortization of insurance acquisition cash flows	—	—	—	—	—	—	—	—
Losses and reversal of losses on onerous contracts	—	—	—	—	—	—	—	—
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—
Insurance service expenses	—	—	—	—	—	—	—	—
Investment components	—	—	—	—	—	—	—	—
Insurance service result	5	—	—	5	(25)	—	—	(25)
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	—	—	—	—	—
Total changes in the statement of comprehensive income (loss) and OCI	5	—	—	5	(25)	—	—	(25)
Cash flows								
Premiums received	—	—	—	—	—	—	—	—
Claims, benefits and other expenses paid	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	—	—	—	—	—	—	—	—
Other changes in the net carrying amount of the insurance contract liabilities	463	—	—	463	(11,555)	—	—	(11,555)
Ending insurance contract liabilities balances	73,621	—	—	73,621	73,153	—	—	73,153
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds guarantees	27	—	—	27	22	—	—	22
Ending balance insurance contract liabilities - Segregated funds net liabilities	73,594	—	—	73,594	73,131	—	—	73,131
Ending insurance contract liabilities balances	73,621	—	—	73,621	73,153	—	—	73,153

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

iii. Analysis by measurement component - Non segregated funds

	2023					2022				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
Beginning of Period										
Opening balance insurance contract assets	(15,278)	6,620	—	503	(8,155)	(12,924)	6,015	1,211	1,663	(4,035)
Opening balance insurance contract liabilities	3,491,972	968,491	454,317	34,443	4,949,223	4,520,265	1,129,451	510,679	19,823	6,180,218
Net opening insurance contract balances	3,476,694	975,111	454,317	34,946	4,941,068	4,507,341	1,135,466	511,890	21,486	6,176,183
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(43,712)	(2,758)	(46,470)	—	—	(47,771)	(2,620)	(50,391)
Change in the risk adjustment for non-financial risk for risk expired	—	(98,294)	—	—	(98,294)	—	(95,183)	—	—	(95,183)
Experience adjustments and other changes	(53,727)	(3,089)	—	—	(56,816)	(63,477)	(7,420)	—	—	(70,897)
Current service provided in the period	(53,727)	(101,383)	(43,712)	(2,758)	(201,580)	(63,477)	(102,603)	(47,771)	(2,620)	(216,471)
Contracts initially recognized in the year	11,201	78,358	1	4,240	93,800	(47,505)	108,950	2	15,426	76,873
Changes in estimates that adjust the CSM	34,550	(444)	(23,308)	(10,799)	(1)	80,147	(40,302)	(38,329)	(1,515)	1
Changes in estimates that results in losses and reversals of losses on onerous contracts	157,706	(74,531)	—	—	83,175	72,145	12,489	—	—	84,634
Future service yet to be provided	203,457	3,383	(23,307)	(6,559)	176,974	104,787	81,137	(38,327)	13,911	161,508
Adjustments to liabilities for incurred claims	687	50	—	—	737	1,052	95	—	—	1,147
Experience adjustments not related to incurred claims	(3,692)	(264)	—	—	(3,956)	(3,637)	(357)	—	—	(3,994)
Past service provided in the prior periods	(3,005)	(214)	—	—	(3,219)	(2,585)	(262)	—	—	(2,847)
Insurance service result	146,725	(98,214)	(67,019)	(9,317)	(27,825)	38,725	(21,728)	(86,098)	11,291	(57,810)
Net finance (income) expenses from insurance contracts	317,345	93,876	9,666	1,259	422,146	(1,228,575)	(175,039)	8,632	465	(1,394,517)
Effect of movements in exchange rates	(61,373)	(11,074)	(5,488)	(550)	(78,485)	189,248	36,412	19,893	1,704	247,257
Total changes in the statement of comprehensive income (loss) and OCI	402,697	(15,412)	(62,841)	(8,608)	315,836	(1,000,602)	(160,355)	(57,573)	13,460	(1,205,070)
Cash flows										
Premiums received	1,296,613	—	—	—	1,296,613	1,250,471	—	—	—	1,250,471
Claims, benefits and other expenses paid	(1,011,412)	—	—	—	(1,011,412)	(953,832)	—	—	—	(953,832)
Insurance acquisition cash flows	(261,809)	—	—	—	(261,809)	(326,684)	—	—	—	(326,684)
Total cash flows	23,392	—	—	—	23,392	(30,045)	—	—	—	(30,045)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—	—	—
Net ending insurance contract balances	3,902,783	959,699	391,476	26,338	5,280,296	3,476,694	975,111	454,317	34,946	4,941,068
End of Period										
Ending balance insurance contract assets	(15,780)	7,590	—	177	(8,013)	(15,278)	6,620	—	503	(8,155)
Ending balance insurance contract liabilities	3,918,563	952,109	391,476	26,161	5,288,309	3,491,972	968,491	454,317	34,443	4,949,223
Net ending insurance contract balances	3,902,783	959,699	391,476	26,338	5,280,296	3,476,694	975,111	454,317	34,946	4,941,068

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

iv. Analysis by measurement component - Segregated funds

	2023					2022				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
Beginning of Period										
Opening balance insurance contract liabilities - Segregated funds guarantees	22	—	—	—	22	47	—	—	—	47
Opening balance insurance contract liabilities - Segregated funds net liabilities	73,131	—	—	—	73,131	84,686	—	—	—	84,686
Net opening insurance contract balances	73,153	—	—	—	73,153	84,733	—	—	—	84,733
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	—	—	—	—	—	—	—	—
Change in the risk adjustment for non-financial risk for risk expired	—	—	—	—	—	—	—	—	—	—
Experience adjustments and other changes	5	—	—	—	5	(25)	—	—	—	(25)
Current service provided in the period	5	—	—	—	5	(25)	—	—	—	(25)
Contracts initially recognized in the year	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	—	—	—	—	—	—	—	—	—	—
Changes in estimates that results in losses and reversals of losses on onerous contracts	—	—	—	—	—	—	—	—	—	—
Future service yet to be provided	—	—	—	—	—	—	—	—	—	—
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Insurance service result	5	—	—	—	5	(25)	—	—	—	(25)
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—	—	—
Total changes in the statement of comprehensive income (loss) and OCI	5	—	—	—	5	(25)	—	—	—	(25)
Cash flows										
Premiums received	—	—	—	—	—	—	—	—	—	—
Claims, benefits and other expenses paid	—	—	—	—	—	—	—	—	—	—
Insurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	—	—	—	—	—	—	—	—	—	—
Other changes in the net carrying amount of the insurance contract liabilities	463	—	—	—	463	(11,555)	—	—	—	(11,555)
Ending insurance contract liabilities balances	73,621	—	—	—	73,621	73,153	—	—	—	73,153
End of Period										
Ending balance insurance contract liabilities - Segregated funds guarantees	27	—	—	—	27	22	—	—	—	22
Ending balance insurance contract liabilities - Segregated funds net liabilities	73,594	—	—	—	73,594	73,131	—	—	—	73,131
Ending insurance contract liabilities balances	73,621	—	—	—	73,621	73,153	—	—	—	73,153

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

b) NAI Reinsurance

i. Analysis by remaining coverage and incurred claims

	2023				2022			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Assets for incurred claims	Total	Excluding loss recovery component	Loss recovery component	Assets for incurred claims	Total
Beginning of Period								
Opening balance reinsurance contract held assets	509,241	77,039	51,452	637,732	634,356	31,940	50,277	716,573
Opening balance reinsurance contract held liabilities	(300)	300	(293)	(293)	(19)	—	(26)	(45)
Net opening reinsurance contract held balances	508,941	77,339	51,159	637,439	634,337	31,940	50,251	716,528
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(136,797)	—	—	(136,797)	(113,343)	—	—	(113,343)
Other contracts	(13,270)	—	—	(13,270)	(6,082)	—	—	(6,082)
Allocation of reinsurance premiums paid	(150,067)	—	—	(150,067)	(119,425)	—	—	(119,425)
Incurred claims recovered and other reinsurance service expenses	—	(14,683)	149,733	135,050	—	(6,091)	123,056	116,965
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	56,484	—	56,484	—	49,000	—	49,000
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
Amounts recoverable from reinsurers	—	41,801	149,733	191,534	—	42,909	123,056	165,965
Investment components	(9,175)	—	9,175	—	(2,072)	—	2,072	—
Net expenses from reinsurance contracts held	(159,242)	41,801	158,908	41,467	(121,497)	42,909	125,128	46,540
Net finance (income) expenses from reinsurance contracts held	71,354	5,455	—	76,809	(175,399)	287	—	(175,112)
Effect of movements in exchange rates	(6,237)	(1,543)	(751)	(8,531)	14,740	2,203	1,845	18,788
Total changes in the statement of comprehensive income (loss) and OCI	(94,125)	45,713	158,157	109,745	(282,156)	45,399	126,973	(109,784)
Cash flows								
Premiums paid	199,545	—	—	199,545	156,760	—	(1)	156,759
Amounts received	—	—	(146,032)	(146,032)	—	—	(126,064)	(126,064)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	199,545	—	(146,032)	53,513	156,760	—	(126,065)	30,695
Other changes in the net carrying amount of the reinsurance contract held	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	614,361	123,052	63,284	800,697	508,941	77,339	51,159	637,439
End of Period								
Ending balance reinsurance contract held assets	614,363	123,052	63,284	800,699	509,241	77,039	51,452	637,732
Ending balance reinsurance contract held liabilities	(2)	—	—	(2)	(300)	300	(293)	(293)
Net ending reinsurance contract held balances	614,361	123,052	63,284	800,697	508,941	77,339	51,159	637,439

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

ii. Analysis by measurement component

	2023					2022				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
BEGINNING OF PERIOD										
Opening balance reinsurance contract held assets	488,708	336,028	(120,097)	(66,907)	637,732	401,536	342,676	662	(28,301)	716,573
Opening balance reinsurance contract held liabilities	(248)	902	—	(947)	(293)	(81)	36	—	—	(45)
Net opening reinsurance contract held balances	488,460	336,930	(120,097)	(67,854)	637,439	401,455	342,712	662	(28,301)	716,528
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	11,739	6,289	18,028	—	—	1,457	3,933	5,390
Change in the risk adjustment for non-financial risk for risk expired	—	(22,259)	—	—	(22,259)	—	(19,589)	—	—	(19,589)
Experience adjustments and other changes	(10,788)	—	—	—	(10,788)	11,737	1	—	—	11,738
Current service provided in the period	(10,788)	(22,259)	11,739	6,289	(15,019)	11,737	(19,588)	1,457	3,933	(2,461)
Contracts initially recognized in the period	4,035	29,902	—	7,123	41,060	10,905	43,369	—	(18,855)	35,419
Changes in estimates that adjust the CSM	3,286	(6,564)	3,944	(666)	—	116,412	14,764	(115,957)	(15,219)	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	60,749	(35,484)	—	—	25,265	21,833	12	—	—	21,845
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(836)	(9,003)	(9,839)	—	—	(1,583)	(6,680)	(8,263)
Future service yet to be provided	68,070	(12,146)	3,108	(2,546)	56,486	149,150	58,145	(117,540)	(40,754)	49,001
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts held	57,282	(34,405)	14,847	3,743	41,467	160,887	38,557	(116,083)	(36,821)	46,540
Net finance (income) expenses from reinsurance contracts held	46,946	35,946	(4,183)	(1,900)	76,809	(119,254)	(55,037)	10	(831)	(175,112)
Effect of movements in exchange rates	(8,186)	(3,736)	2,591	797	(8,534)	14,677	10,698	(4,686)	(1,901)	18,788
Total changes in the statement of comprehensive income (loss) and OCI	96,042	(2,195)	13,255	2,640	109,742	56,310	(5,782)	(120,759)	(39,553)	(109,784)
Cash flows										
Premiums paid	199,547	—	—	—	199,547	156,760	—	—	—	156,760
Amounts received	(146,031)	—	—	—	(146,031)	(126,065)	—	—	—	(126,065)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	53,516	—	—	—	53,516	30,695	—	—	—	30,695
Net ending reinsurance contract held balances	638,018	334,735	(106,842)	(65,214)	800,697	488,460	336,930	(120,097)	(67,854)	637,439
END OF PERIOD										
Ending balance reinsurance contract held assets	638,018	334,735	(106,840)	(65,214)	800,699	488,708	336,028	(120,097)	(66,907)	637,732
Ending balance reinsurance contract held liabilities	—	—	(2)	—	(2)	(248)	902	—	(947)	(293)
Net ending reinsurance contract held balances	638,018	334,735	(106,842)	(65,214)	800,697	488,460	336,930	(120,097)	(67,854)	637,439

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

c) UK SIP

i. Analysis by remaining coverage and incurred claims

	2023				2022			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Beginning of Period								
Opening balance insurance contract assets	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities	564,533	1,349	62,566	628,448	778,182	—	53,752	831,934
Net opening insurance contract balances	564,533	1,349	62,566	628,448	778,182	—	53,752	831,934
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(20,385)	—	—	(20,385)	(3,599)	—	—	(3,599)
Other contracts	—	—	—	—	—	—	—	—
Insurance revenue	(20,385)	—	—	(20,385)	(3,599)	—	—	(3,599)
Incurred claims and other insurance service expenses	—	—	13,175	13,175	—	—	12,745	12,745
Amortization of insurance acquisition cash flows	163	—	—	163	227	—	—	227
Losses and reversal of losses on onerous contracts	—	240	—	240	—	1,323	—	1,323
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—
Insurance service expenses	163	240	13,175	13,578	227	1,323	12,745	14,295
Investment components	(80,056)	—	80,056	—	(99,721)	—	99,721	—
Insurance service result	(100,278)	240	93,231	(6,807)	(103,093)	1,323	112,466	10,696
Net finance (income) expenses from insurance contracts	53,663	—	—	53,663	(90,638)	—	—	(90,638)
Effect of movements in exchange rates	16,270	41	1,796	18,107	(35,915)	26	(2,023)	(37,912)
Total changes in the statement of comprehensive income (loss) and OCI	(30,345)	281	95,027	64,963	(229,646)	1,349	110,443	(117,854)
Cash flows								
Premiums received	22,917	—	—	22,917	25,537	—	—	25,537
Claims, benefits and other expenses paid	—	—	(97,262)	(97,262)	—	—	(101,629)	(101,629)
Insurance acquisition cash flows	(780)	—	—	(780)	(793)	—	—	(793)
Total cash flows	22,137	—	(97,262)	(75,125)	24,744	—	(101,629)	(76,885)
Other changes in the net carrying amount of the insurance contract liabilities	1,301	—	—	1,301	(8,747)	—	—	(8,747)
Net ending insurance contract balances	557,626	1,630	60,331	619,587	564,533	1,349	62,566	628,448
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	557,626	1,630	60,331	619,587	564,533	1,349	62,566	628,448
Net ending insurance contract balances	557,626	1,630	60,331	619,587	564,533	1,349	62,566	628,448

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

ii. Analysis by measurement component

	2023					2022				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
Beginning of Period										
Opening balance insurance contract assets	—	—	—	—	—	—	—	—	—	—
Opening balance insurance contract liabilities	613,056	3,161	12,089	142	628,448	817,766	4,795	9,373	—	831,934
Net opening insurance contract balances	613,056	3,161	12,089	142	628,448	817,766	4,795	9,373	—	831,934
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(2,267)	(37)	(2,304)	—	—	(1,884)	(391)	(2,275)
Change in the risk adjustment for non-financial risk for risk expired	—	(166)	—	—	(166)	—	(328)	—	—	(328)
Experience adjustments and other changes	652	—	—	—	652	892	—	—	—	892
Current service provided in the period	652	(166)	(2,267)	(37)	(1,818)	892	(328)	(1,884)	(391)	(1,711)
Contracts initially recognized in the year	(634)	67	—	579	12	(1,491)	225	—	1,286	20
Changes in estimates that adjust the CSM	(8,965)	352	3,512	(129)	(5,230)	(28,458)	23,690	4,843	(773)	(698)
Changes in estimates that results in losses and reversals of losses on onerous contracts	599	(370)	—	—	229	36,924	(23,839)	—	—	13,085
Future service yet to be provided	(9,000)	49	3,512	450	(4,989)	6,975	76	4,843	513	12,407
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Insurance service result	(8,348)	(117)	1,245	413	(6,807)	7,867	(252)	2,959	122	10,696
Net finance (income) expenses from insurance contracts	53,138	202	304	19	53,663	(89,588)	(1,154)	87	17	(90,638)
Effect of movements in exchange rates	17,649	92	359	7	18,107	(37,357)	(228)	(330)	3	(37,912)
Total changes in the statement of comprehensive income (loss) and OCI	62,439	177	1,908	439	64,963	(119,078)	(1,634)	2,716	142	(117,854)
Cash flows										
Premiums received	22,917	—	—	—	22,917	25,537	—	—	—	25,537
Claims, benefits and other expenses paid	(97,262)	—	—	—	(97,262)	(101,629)	—	—	—	(101,629)
Insurance acquisition cash flows	(780)	—	—	—	(780)	(793)	—	—	—	(793)
Total cash flows	(75,125)	—	—	—	(75,125)	(76,885)	—	—	—	(76,885)
Other changes in the net carrying amount of the insurance contract liabilities	1,301	—	—	—	1,301	(8,747)	—	—	—	(8,747)
Net ending insurance contract balances	601,671	3,338	13,997	581	619,587	613,056	3,161	12,089	142	628,448
End of Period					0					0
Ending balance insurance contract assets	—	—	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	601,671	3,338	13,997	581	619,587	613,056	3,161	12,089	142	628,448
Net ending insurance contract balances	601,671	3,338	13,997	581	619,587	613,056	3,161	12,089	142	628,448

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

d) UK SIP Reinsurance

i. Analysis by remaining coverage and incurred claims

	2023				2022			
	Assets for remaining coverage				Assets for remaining coverage			
	Excluding loss recovery component	Loss recovery component	Assets for incurred claims	Total	Excluding loss recovery component	Loss recovery component	Assets for incurred claims	Total
Beginning of Period								
Opening balance reinsurance contract held assets	15,410	—	(2)	15,408	20,309	—	—	20,309
Opening balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—
Net opening reinsurance contract held balances	15,410	—	(2)	15,408	20,309	—	—	20,309
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(3,985)	—	—	(3,985)	(3,355)	—	—	(3,355)
Other contracts	—	—	—	—	—	—	—	—
Allocation of reinsurance premiums paid	(3,985)	—	—	(3,985)	(3,355)	—	—	(3,355)
Incurred claims recovered and other reinsurance service expenses	—	—	2,678	2,678	—	—	3,017	3,017
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	3	—	3	—	—	—	—
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
Amounts recoverable from reinsurers	—	3	2,678	2,681	—	—	3,017	3,017
Investment components	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts held	(3,985)	3	2,678	(1,304)	(3,355)	—	3,017	(338)
Net finance (income) expenses from reinsurance contracts held	1,217	—	—	1,217	(2,833)	—	—	(2,833)
Effect of movements in exchange rates	447	—	—	447	(921)	—	—	(921)
Total changes in the statement of comprehensive income (loss) and OCI	(2,321)	3	2,678	360	(7,109)	—	3,017	(4,092)
Cash flows								
Premiums paid	2,616	—	—	2,616	2,210	—	—	2,210
Amounts received	—	—	(2,677)	(2,677)	—	—	(3,019)	(3,019)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	2,616	—	(2,677)	(61)	2,210	—	(3,019)	(809)
Other changes in the net carrying amount of the reinsurance contract held	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	15,705	3	(1)	15,707	15,410	—	(2)	15,408
End of Period								
Ending balance reinsurance contract held assets	15,705	3	(1)	15,707	15,410	—	(2)	15,408
Ending balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	15,705	3	(1)	15,707	15,410	—	(2)	15,408

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

ii. Analysis by measurement component

	2023					2022				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
BEGINNING OF PERIOD										
Opening balance reinsurance contract held assets	12,548	252	2,608	—	15,408	19,036	480	793	—	20,309
Opening balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—	—	—
Net opening reinsurance contract held balances	12,548	252	2,608	—	15,408	19,036	480	793	—	20,309
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(717)	—	(717)	—	—	(534)	—	(534)
Change in the risk adjustment for non-financial risk for risk expired	—	(32)	—	—	(32)	—	(43)	—	—	(43)
Experience adjustments and other changes	(559)	—	—	—	(559)	239	—	—	—	239
Current service provided in the period	(559)	(32)	(717)	—	(1,308)	239	(43)	(534)	—	(338)
Contracts initially recognized in the period	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	(1,207)	74	1,134	—	1	(2,437)	94	2,343	—	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	(301)	—	—	—	(301)	—	—	—	—	—
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	304	—	304	—	—	—	—	—
Future service yet to be provided	(1,508)	74	1,438	—	4	(2,437)	94	2,343	—	—
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts held	(2067)	42	721	—	(1304)	(2198)	51	1809	—	(338)
Net finance (income) expenses from reinsurance contracts held	1,032	123	62	—	1,217	(2,580)	(255)	2	—	(2,833)
Effect of movements in exchange rates	359	9	79	—	447	(901)	(24)	4	—	(921)
Total changes in the statement of comprehensive income (loss) and OCI	(676)	174	862	—	360	(5,679)	(228)	1,815	—	(4,092)
Cash flows										
Premiums paid	2,616	—	—	—	2,616	2,210	—	—	—	2,210
Amounts received	(2,677)	—	—	—	(2,677)	(3,019)	—	—	—	(3,019)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	(61)	—	—	—	(61)	(809)	—	—	—	(809)
Other changes in the net carrying amount of the reinsurance contract held	—	—	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	11,811	426	3,470	—	15,707	12,548	252	2,608	—	15,408
END OF PERIOD										
Ending balance reinsurance contract held assets	11,811	426	3,470	—	15,707	12,548	252	2,608	—	15,408
Ending balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	11,811	426	3,470	—	15,707	12,548	252	2,608	—	15,408

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

5.2 Effect of contracts initially recognized in the year

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

a) NAI

i. Insurance contracts

	2023			2022 (Adjusted)		
	Profitable contracts issued	**Onerous contracts issued**	**Total**	**Profitable contracts issued**	**Onerous contracts issued**	**Total**
Insurance acquisition cash flows	13,124	250,399	263,523	96,597	218,045	314,642
Claims and other insurance service expenses payable	28,274	507,980	536,254	237,218	529,968	767,186
Estimates of present value of cash outflows	41,398	758,379	799,777	333,815	748,013	1,081,828
Estimates of present value of cash inflows	(49,719)	(738,858)	(788,577)	(376,722)	(752,611)	(1,129,333)
Risk adjustment for non-financial risk	4,080	74,279	78,359	27,480	81,470	108,950
CSM	4,241	—	4,241	15,427	—	15,427
Losses recognized on initial recognition	—	93,800	93,800	—	76,872	76,872

ii. Reinsurance contracts held

	2023			2022 (Adjusted)		
	Contracts initiated without a loss recovery component	**Contracts initiated with loss recovery component**	**Total**	**Contracts initiated without a loss recovery component**	**Contracts initiated with loss recovery component**	**Total**
Estimates of present value of cash inflows	7,052	191,410	198,462	106,078	205,170	311,248
Estimates of present value of cash outflows	(6,713)	(195,783)	(202,496)	(107,332)	(214,820)	(322,152)
Risk adjustment for non-financial risk	(981)	(28,921)	(29,902)	(10,131)	(33,238)	(43,369)
Loss recovery related to losses on underlying insurance contracts at initial recognition	—	41,059	41,059	—	35,417	35,417
Contractual Service Margin	(642)	7,765	7,123	(11,385)	(7,471)	(18,856)

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

b) UK

i. Insurance contracts

	2023			2022 (Adjusted)		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	292	65	357	284	64	348
Claims and other insurance service expenses payable	2,259	760	3,019	2,196	738	2,934
Estimates of present value of cash outflows	2,551	825	3,376	2,480	802	3,282
Estimates of present value of cash inflows	(3,971)	(970)	(4,941)	(3,859)	(942)	(4,801)
Risk adjustment for non-financial risk	70	166	236	68	161	229
CSM	1,350	—	1,350	1,311	—	1,311
Losses recognized on initial recognition	—	21	21	—	21	21

5.3 Contractual service margin

The following table sets out when Foresters Financial expects to recognize the remaining CSM in profit or loss after the reporting date.

	1 year or less	1 - 2 years	2 - 5 years	5 - 10 years	Over 10 years	Total
2023						
Insurance contracts						
NAI	41,681	37,420	91,485	101,802	145,425	417,813
UK SIP	2,085	1,797	3,998	3,624	3,074	14,578
	43,766	39,217	95,483	105,426	148,499	432,391
Reinsurance contracts held						
NAI	16,003	14,810	38,211	45,632	57,402	172,058
UK SIP	(635)	(521)	(1,045)	(752)	(518)	(3,471)
	15,368	14,289	37,166	44,880	56,884	168,587
2022						
Insurance contracts						
NAI	48,176	43,437	106,644	119,554	171,451	489,262
UK SIP	1,733	1,488	3,314	3,046	2,650	12,231
	49,909	44,925	109,958	122,600	174,101	501,493
Reinsurance contracts held						
NAI	17,056	15,607	40,013	48,095	67,180	187,951
UK SIP	(441)	(385)	(783)	(578)	(421)	(2,608)
	16,615	15,222	39,230	47,517	66,759	185,343

5.4 Significant judgements and estimates

a. Fulfillment cash flows

Fulfillment cash flows comprise:

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

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

i. Future cash flows

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

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

When estimating future cash flows, Foresters Financial takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

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

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

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

Mortality, longevity and morbidity

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

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

Mortality is the key assumption in the measurement of life insurance products in North America and the UK. Tables produced by the Society of Actuaries and the Canadian Institute of Actuaries, are used to reflect expected mortality improvements, as set out below. For Foresters Life Insurance Company, please refer to FLIC Financial Statements.

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

NAI

2023	Mortality projections model	Mortality table used and assumptions	Percentage Range for Mortality Table	Adjustments for long term mortality improvements
US Universal Life Products				
Armor, BIG	Experience Study	2008 VBT RR	% Range from 65% to 165%	N/A
SMART	Experience Study	2015 VBT RR	% Range from 87% to 216%	N/A
Foresters UL1 & UL2, Passport	Experience Study	2008 VBT PRM	% Range from 87% to 257%	N/A
US Non- Par Life Products				
Strong Foundation, LifeFirst	Experience Study	2008 VBT RR	% Range from 65% to 170%	Improvement for 20 years based on the NAIC 2022 Unloaded Mortality Improvement table
Your Term	Experience Study	2008 VBT RR Non-Med, 2015 VBT RR Med	% Range from 175% to 190% for Non-Med % Range from 64% to 142% for Med	
Bright Future	Experience Study	2015 VBT ALB Unismoker	1.1	
Preferred Term, Legacy Non-Dividend-Paying	Experience Study	2008 VBT PRM	% Range from 80% to 167%	
PlanRight -Level	Experience Study	2001 VBT S&U	% Range from 200% to 300%	N/A
US Par Life Products				
Legacy Dividend-Paying Excl. FAP, Legacy Non-Dividend Paying - FAP	Experience Study	2008 VBT PRM	% Range from 80% to 118%	N/A
Your Legacy	Experience Study	2008 VBT RR	% Range from 150% to 155%	N/A
Foresters Advantage Plus	Experience Study	2015 VBT RR	% Range from 72% to 200%	N/A
Canada Universal Life Products				
Foresters UL1 & UL2, Passport	Experience Study	CIA 97-04 ANB	% Range from 75% to 100%	N/A
Canada Non- Par Life Products				
Legacy Non-Dividend-Paying	Experience Study	CIA 97-04 S&U	0.75	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
Preferred Term, Retrocession	Experience Study	CIA 97-04 ANB	% Range from 53% to 100%	
Canada Par Life Products				
Legacy Dividend-Paying Excl. FAP, Legacy Non-Dividend Paying - FAP, EasyLife, FamilyLife, Advantage Plus	Experience Study	CIA 97-04 ANB	% Range from 75% to 110%	N/A

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

2022	Mortality projections model	Mortality table used and assumptions	Percentage Range for Mortality Table	Adjustments for long term mortality improvements
US Universal Life Products				
Armor, BIG	Experience Study	2008 VBT RR	% Range from 65% to 165%	N/A
SMART	Experience Study	2015 VBT RR	% Range from 87% to 216%	N/A
Foresters UL1 & UL2, Passport	Experience Study	2008 VBT PRM	% Range from 87% to 257%	N/A
US Non- Par Life Products				
Strong Foundation, LifeFirst	Experience Study	2008 VBT RR	% Range from 65% to 170%	Improvement for 20 years based on the NAIC 2022 Unloaded Mortality Improvement table
Your Term	Experience Study	2008 VBT RR Non-Med, 2015 VBT RR Med	% Range from 175% to 190% for Non-Med % Range from 64% to 142% for Med	
Bright Future	Experience Study	2015 VBT ALB Unismoker	1.1	
Preferred Term, Legacy Non-Dividend-Paying	Experience Study	2008 VBT PRM	% Range from 80% to 167%	
PlanRight - level	Experience Study	2001 VBT S&U	% Range from 200% to 300%	N/A
US Par Life Products				
Legacy Dividend-Paying Excl. FAP, Legacy Non-Dividend Paying - FAP	Experience Study	2008 VBT PRM	% Range from 80% to 108%	N/A
Your Legacy	Experience Study	2008 VBT RR	% Range from 150% to 155%	N/A
Foresters Advantage Plus	Experience Study	2015 VBT RR	% Range from 72% to 200%	N/A
Canada Universal Life Products				
Foresters UL1 & UL2, Passport	Experience Study	CIA 97-04 ANB	% Range from 85% to 113%	N/A
Canada Non- Par Life Products				
Legacy Non-Dividend-Paying	Experience Study	CIA 97-04 S&U	% Range from 75% to 98%	Improvement for 20 years based on the ASB prescribed mortality improvement rates.
Preferred Term, Retrocession	Experience Study	CIA 97-04 ANB	% Range from 53% to 112%	
Canada Par Life Products				
Legacy Dividend-Paying Excl. FAP, Legacy Non-Dividend Paying - FAP, EasyLife, FamilyLife, Advantage Plus	Experience Study	CIA 97-04 ANB	% Range from 75% to 110%	N/A

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

UK SIP

2023	Mortality projections model	Mortality table used and assumptions	Adjustments for long term mortality improvements
Protection	Experience Study	Non-Smoker : 100% of TMNL08 / TFNL08 Smoker : 100% of TMSL08 / TFSL08	N/A
Forester Universal Life	Experience Study	Non-Smoker : 80% of TMNL08 / TFNL08 Smoker : 80% of TMSL08 / TFSL08	N/A
Annuities	Experience Study	125% of PMA08 / PFA08	N/A
Whole of Life, Extended Coverage, MIB	Experience Study	65% of AMC00 / AFC00	N/A

2022	Mortality projections model	Mortality table used and assumptions	Adjustments for long term mortality improvements
Protection	Experience Study	Non-Smoker : 100% of TMNL08 / TFNL08 Smoker : 100% of TMSL08 / TFSL08	N/A
Forester Universal Life	Experience Study	Non-Smoker : 80% of TMNL08 / TFNL08	N/A
Annuities	Experience Study	125% of PMA08 / PFA08	N/A
Whole of Life, Extended Coverage, MIB	Experience Study	65% of AMC00 / AFC00	N/A

Lapse

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

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

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

The following table sets out the assumptions about surrender rates by policy anniversary for products:

2022 and 2023					
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
CA NonPar					
A&S				3%	3%
Non-Divided-Paying Premium-Payings	1%	1%	1%	1%	1%
Preferred Term - T10, T20	11% -12%	5.5% - 7%	3% - 70%	3% - 5%	3% -30%
Foresters 100	1%	1%	1%	1%	1%
Retro					
Term plans (T10, T20, T30 & Level)	9% -19%	5%-18%	3%-12%	2%-14%	2%-14%
Permanent Plans	6%-29%	2%-6%	0.5%-3%	0.5%-3%	0.5%-3%
CA UL					
UL 1 & UL 2, Passport	2.5% -7%	2%-3%	0.5% - 3%	0.5% - 3%	0.5% - 3%
CA Par					
Dividend Paid Up and Non Dividend Paying	1%	1%	1%	1%	1%
Dividend-Paying (FAP Only)	11% -14%	4%	1.5% -4%	1.5% -3%	1.5% - 3%
Family Life & Advantage Plus	4% -7%	3.0% -4%	1% -3%	1% -3%	1% -3%
US NonPar					
A&S				4%	4%
Non-Divided-Paying Premium-Paying				4%	4%
Bright Future	18%	7%	2%-5%	1%-3%	1%-3%
PlanRight					
PR Non-Level	22-30%	8%	8%	8%	8%
PR Level	17%-22%	4%-7.5%	2% -7.5%	2% -7.5%	2% -7.5%
Life First , Strong Foundation and Your Term					
SI All Terms	19%- 50%	4.5% to 8%	1.5% -3%, renewal 80% to 95%	1.5% -3%, after renewal 25% - 95%	1.5% -3%, after renewal 25% - 95%
FUW All Terms	5%-15%	4%-7%	1.5%-4.5% with renewal 70% to 80%	1.5%-4.5% with renewal 70% to 80%	1.5%-3% with renewal 25% to 90%
Preferred	14% - 20%	6% -10%	2.5% - 70%	2.5%- 5.5%	2.5% - 90%
US Par					
Premium-Paying					
Dividend Paying	18%	4%	3%	3%	3%
Non-Dividend-Paying	20%	12%	9%	4%	4%
Dividend PaidUp	2%	2%	2%	2%	2%
Your Legacy	1%	1%	1%	1%	1%
Advantage Plus					
SI	18% -26%	4% -9%	3%	1% - 3%	3%
2011&2017 FUW 20-Pay Life	5.5% - 10.5%	4% - 5%	3.5% -4%	3% -4%	1% - 3.5%
US UL					
Forester Passoport	7%	2%	2%	2%	2%
BIG & Armor	20%- 30%	5% - 6%	1%	1%	1%
SMART FUW	14% - 16%	4%- 5%	4%	4%	4%
SMART SI	25%-26%	5%	4%- 5%	5%	5%

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

UK SIP

	2023				
	1 year	5 years	10 years	15 years	20 years
Unit Linked Protection	2%	2%	2%	2%	2%
Lifestyle Protection	9%	5%	5%	5%	5%
Mortgage Protection	6%	9%	9%	9%	9%
Whole of Life, Monthly Income Benefit	—%	—%	—%	—%	—%
Forester Universal Life	7%	7%	7%	7%	7%

	2022				
	1 year	5 years	10 years	15 years	20 years
Unit Linked Protection	2%	2%	2%	2%	2%
Lifestyle Protection	9%	5%	5%	5%	5%
Mortgage Protection	7%	10%	10%	10%	10%
Whole of Life, Monthly Income Benefit	—%	—%	—%	—%	—%
Forester Universal Life	7%	7%	7%	7%	7%

Investment returns

Foresters Financial segments assets supporting insurance contract liabilities by geographic market and by line of business and establishes investment strategies for each liability segment. Uncertainties exist with respect to projections of risk-free interest rates, credit spreads and the magnitude of credit losses resulting from asset depreciation. Foresters Financial accounts for such uncertainties by incorporating provisions for credit losses into projections of investment income (in addition to the allowances for impairment applied as direct reductions to the carrying values of invested assets).

Expenses

Foresters Financial projects estimates of future expenses relating to fulfillment of contracts in the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads. Where asset management services are provided for the insurance operational segments as part of contractual arrangements with policyholders, Foresters Financial projects future expenses based on the direct costs as incurred by Foresters Financial rather than based on management fees charged explicitly to the policyholder account values or internal fees charged to the insurance operating segments for providing these services. The expense inflation assumption is considered to be a non-financial risk. Foresters Financial has not changed its methods or assumptions used to project expenses in 2023. Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM.

ii. Discount rates

For the North American businesses, all cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by an underlying asset reference portfolio.

For the UK business, it generally determines the risk-free rates using risk-free rates as provided by the Prudential Regulation Authority (PRA). To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined with reference to appropriate credit spread indices.

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

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

2023	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [Low]							
CAD	5.23 %	3.87 %	5.25 %	4.79 %	4.97 %	4.33 %	4.22 %
GBP	5.09 %	3.71 %	3.64 %	3.75 %	3.79 %	3.77 %	3.71 %
USD	5.48 %	4.69 %	4.94 %	5.17 %	5.43 %	5.34 %	5.26 %
2022	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [Low]							
CAD	5.35 %	4.75 %	4.85 %	4.95 %	5.07 %	5.01 %	4.96 %
GBP	4.99 %	4.59 %	4.24 %	4.15 %	4.07 %	3.98 %	3.88 %
USD	5.36 %	5.13 %	5.29 %	5.48 %	5.70 %	5.58 %	5.46 %

2023	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [Medium]							
CAD	4.98 %	4.01 %	4.27 %	4.34 %	4.42 %	4.36 %	4.30 %
GBP	4.91 %	3.53 %	3.46 %	3.58 %	3.61 %	3.59 %	3.53 %
USD	5.23 %	4.44 %	4.69 %	4.92 %	5.18 %	5.09 %	5.01 %
2022	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [Medium]							
CAD	5.10 %	4.50 %	4.60 %	4.70 %	4.82 %	4.76 %	4.71 %
GBP	4.72 %	4.33 %	3.98 %	3.88 %	3.80 %	3.71 %	3.62 %
USD	5.11 %	4.88 %	5.04 %	5.23 %	5.45 %	5.33 %	5.21 %

2023	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [High]							
CAD	4.58 %	3.40 %	3.70 %	3.84 %	4.00 %	3.89 %	3.77 %
GBP	4.74 %	3.35 %	3.28 %	3.40 %	3.43 %	3.41 %	3.35 %
USD	4.84 %	4.03 %	4.28 %	4.52 %	4.79 %	4.75 %	4.71 %
2022	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [High]							
CAD	4.50 %	3.70 %	4.01 %	4.15 %	4.32 %	4.20 %	4.09 %
GBP	4.46 %	4.06 %	3.71 %	3.62 %	3.54 %	3.45 %	3.35 %
USD	4.74 %	4.52 %	4.65 %	4.87 %	5.12 %	5.09 %	5.07 %

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

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

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

2023	1 year	5 year	10 year	15 years	20 years	25 years	30 years
Product [Par]							
CA Branch	6.22 %	4.52 %	4.73 %	4.70 %	4.69 %	4.37 %	4.25 %
US Branch	5.60 %	4.52 %	5.19 %	6.00 %	6.39 %	4.90 %	4.78 %
FLIC	7.12 %	4.56 %	4.63 %	4.52 %	4.73 %	4.32 %	4.19 %
2022	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [Par]							
CA Branch	6.26 %	4.39 %	4.64 %	4.65 %	4.71 %	4.20 %	4.08 %
US Branch	6.44 %	4.98 %	4.98 %	5.80 %	6.02 %	4.72 %	4.52 %
FLIC	4.90 %	4.87 %	4.86 %	4.67 %	4.66 %	5.33 %	5.22 %

iii. Risk Adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by the Margin approach, which is widely used within the industry. These margins are then adjusted (reduced) to reflect a 12.5% between-risk diversification within each entity. The margin assumptions are reviewed annually as part of the experience study reviews and adjusted if required to achieve a desired confidence level range. The disclosed confidence level is on a consolidation basis and net of reinsurance. For the year ended 2023, the confidence level for the risk adjustment is 79.8%. For the year ended 2022, the confidence level for the risk adjustment is 78.7%. For the UK business, the Cost of Capital approach is used to determine the risk adjustments for non-financial risk as the UK makes use of the existing Solvency II modelling and the weighted-average cost-of-capital rate is 3% (2022: 3%).

b. Contractual service margin

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

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

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

i. Weighting of benefits provided by insurance coverage

For insurance contracts that provide both an insurance coverage and investment service, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholders by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

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

c. Investment components

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

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

6. INVESTMENT CONTRACT LIABILITIES - EXCLUDING SEGREGATED FUNDS

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

	2023 $	2022 (Adjusted) $
Balance, beginning of year	30,077	34,708
Deposits received during the year	1,166	1,319
Surrenders and withdrawals	(3,598)	(2,888)
Interest credited and other	860	(3,166)
Effect of change in foreign exchange rates	(9)	105
Balance, end of year	**28,497**	**30,077**

7. RISK MANAGEMENT

Risk Management framework

Foresters Financial offers insurance, wealth and asset management products and services, which subject the organization to a broad range of financial risks. Foresters Financial has specific policies in place to manage these risks such as the enterprise-wide Risk Management Policy, Change Management Policy, Investment Policy, Product Management Policy, Dividend Policy, Policy on the Criteria for Changing Adjustable Certificates, Reinsurance Risk Management Policy and Capital Management Policy, all of which are annually approved by the Board. Foresters Financial's goal in managing financial risk is to ensure that the outcomes of activities involving elements of risk are consistent with Foresters Financial's objectives and risk appetite, and to maintain an appropriate risk/ reward balance while protecting Foresters Financial's consolidated statement of financial position from events that have the potential to impair its financial strength.

Foresters Financial's Risk Management Policy sets out the standards of practice related to the governance, identification, measurement, monitoring, control and mitigation of risks. Foresters Financial manages risk taking activities against an overall risk appetite, which defines the amount and type of risks it is willing to assume. The risk appetite reflects Foresters Financial's financial condition, risk tolerance and business strategies. Financial risk appetite measures are defined in relation to internal and regulatory capital requirements, liquidity and earnings sensitivities.

7.1 Credit risk

Credit risk is the risk of financial loss to Foresters if a counterparty to a financial instrument or a reinsurance contract held fails to meet its contractual obligations, and arises principally from Foresters' investments in debt securities and reinsurance contract held assets. For risk management reporting purposes, Foresters Financial considers and consolidates all elements of credit risk exposures - e.g., individual obligor default risk, country risk and sector risk.

a) Management of credit risk

The Board approved Investment Policy sets out the policies and procedures to manage credit risk. Specific guidelines have been established to minimize undue concentration of exposure to a single debtor or a group of related debtors; to limit the purchase of fixed income securities to investment-grade assets; and to specify minimum and/or maximum limits for fixed income securities by credit quality ratings.

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

b) Exposure to credit risk

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

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

Foresters Financial's maximum credit exposure was as follows:

	2023 $	2022 $
Cash, cash equivalents and short-term securities	246,019	279,889
Bonds	5,702,776	5,452,230
Mortgages	185,715	168,240
Derivative financial assets	6,193	1,794
Other invested assets	329,648	339,146
Accrued investment income	55,115	52,747
Mortgage vendor take back	27,274	27,274
Reinsurance contract held assets	816,406	653,140
Accounts receivable and finance lease receivable	30,776	45,928
Maximum exposure to credit risk	7,399,922	7,020,388

c) Credit quality summary

The following table sets out the information about the credit quality of reinsurance contract held assets, bonds and mortgages measured at FVTPL.

	2023	2022
Bonds and commercial mortgage loans	$	$
Based on Credit Ratings used in LICAT Reporting		
AAA	1,451,533	1,089,771
AA- to AA+	1,125,276	1,119,879
A- to A+	1,823,599	1,838,344
BBB+ and lower	1,488,083	1,572,476
Reinsurance contract held assets		
Based on Credit Ratings used in LICAT Reporting		
AA- to AA+	189,759	144,109
A- to A+	552,639	446,988
BBB+ and lower	865	941

Foresters Financial derivatives are entered into with banks and other financial institutions, which are rated AA to AA+ ratings.

d) Concentration of credit risk

Concentration of credit risk arises from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics.

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

Foresters Financial limits its exposure to a single issuer, including total exposure to a parent company, its subsidiaries and any other entity for which the parent acts as a guarantor. Total exposure includes the sum of Foresters Financial's investment in bonds, equities, money market instruments and derivative financial instruments. Limits are based on the senior consolidated debt ratings of the parent company and range from 5% of total assets for AAA rated companies to 1% of total assets for BBB rated companies. Segment specific guidelines further restrict Foresters Financial investments in a single issuer.

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

Foresters Financial had no exposure in excess of the limits specified above to any single investee or its related group of companies.

The following table provides details of the carrying value of financial investments by industry sector and country of residence of the issuer:

An analysis of concentrations of credit risk from financial investments is shown below.

	2023	2022
Bonds issued or guaranteed by:		
U.S treasury and other U.S agencies	1,222,576	996,573
Canadian federal government	366,405	147,777
Canadian provincial and municipal government	337,850	348,280
UK government	135,601	151,388
Other foreign governments	41,227	33,290
Total government bonds	2,103,659	1,677,308
Concentration by industry sector		
Financial	1,269,231	1,396,664
Industrial	400,248	382,223
Utilities	593,343	572,794
Energy	224,671	253,042
Consumer Staples	157,273	278,194
Consumer	136,120	127,398
Communications	209,818	232,793
Technology	72,779	99,779
Health Care	441,949	332,303
Basic materials	74,043	66,576
Other	19,642	33,156
Total corporate bonds	3,599,117	3,774,922
Concentration by issuer		
United States	3,762,758	3,623,858
Canada	1,448,346	1,322,169
U.K.	221,907	237,604
Other	269,765	268,599
	5,702,776	5,452,230

7.2 Market risk

Market risk is the risk that changes in market prices - e.g., foreign exchange rates, interest rates, real estate capitalization rates, and equity prices - will affect the fulfillment cash flows of insurance and reinsurance contracts held as well as the fair value or future cash flows of financial instruments. They are:

- Currency risk
- Interest rate risk
- Equity market risk

a) Management of market risk

The Board of Directors sets Foresters Financial's strategy for managing market risk and delegates responsibility for overseeing the implementation of this strategy and the asset-liability matching (ALM) framework to Foresters Financial's asset and liability committee (ALCO). The ALM framework seeks to match the cash flows arising from Foresters

Financial's financial investments with the cash flows arising from its insurance and investment contracts while achieving the optimum long-term investment return on its financial investments representing shareholders' equity for an acceptable level of risk. ALCO seeks to achieve this by setting limits both for each type of risk in aggregate across Foresters Financial and for individual portfolios. On a day-to-day basis, responsibility for monitoring market risk exposures rests with local management. As part of its ALM framework, Foresters Financial uses derivatives to manage its exposures to market risk. All such transactions are carried out within the guidelines set by ALCO.

For insurance contracts with direct participation features, changes in the fair value of underlying items due to changes in market variables are largely reflected in the value of the related insurance contracts. Foresters Financial is exposed to market risk only to the extent of the changes in its share of the fair value of the underlying items, represented by the CSM.

b) Currency risk

i. Exposure to currency risk

Currency risk for financial instruments arises from a mismatch between the currency of the insurance and investment contract liabilities and the currency of the assets designated to support those liabilities. Foresters Financial matches the currency of its assets with the currency of the liabilities they support to mitigate economic exposure to changes in exchange rates.

Administrative expenses

Foresters Financial incurs the majority of its U.S. branch administrative expenses in Canadian dollars and is therefore exposed to foreign exchange rate fluctuations between the Canadian and U.S. dollars. Foresters Financial enters into foreign exchange forward contracts (see note 3c) to reduce a portion of the impact of foreign exchange rate fluctuations on the calculation of U.S. branch insurance contract liabilities. This calculation includes a provision for future certificate maintenance expenses, which are incurred in Canadian dollars. The exchange rate assumed in this calculation is based on exchange rates implicit in these contracts. While these foreign exchange forward contracts effectively offset the impact of foreign exchange rate fluctuations on a significant portion of U.S. branch insurance contract liabilities, Foresters Financial is exposed to foreign exchange rate fluctuations on expenses in excess of those covered by the foreign exchange forward contracts.

Foreign operations

A substantial portion of Foresters Financial's operations is denominated in currencies other than Canadian dollars. If the Canadian dollar strengthened relative to non-Canadian currencies, the translated value of reported earnings and surplus from the non-Canadian denominated operations would decline. Foresters Financial uses financial measures such as constant currency calculations to monitor the effect of such currency fluctuations.

The summary quantitative information about Foresters Financial's exposure to currency risk arising from insurance and reinsurance contracts held and financial instruments at the reporting date as reported was as follows:

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

	December 31, 2023		December 31, 2022 (Adjusted)	
	USD	**GBP**	**USD**	**GBP**
Financial assets	3,380,661	5,465,810	3,174,487	5,270,716
Financial liabilities	26,937	4,912,085	35,831	4,722,503
Insurance contract liabilities	2,565,709	367,250	2,369,354	383,317
Reinsurance contract held assets	290,536	9,310	202,903	9,398

ii. Sensitivity analysis

A reasonably possible strengthening or weakening of the Canadian against all other currencies at the reporting date would have affected the measurement of insurance and reinsurance contracts held and financial instruments denominated in a foreign currency and affected the net income (loss) and surplus by the amounts shown below. This analysis assumes that all other variables remain constant.

	Change in net income (loss)		Change in surplus	
	2023	**2022**	**2023**	**2022**
Impact of 1.0% strengthening of Canadian dollar				
USD				
Insurance and reinsurance contracts held	33,978	32,114	33,978	32,114
Financial instruments	(44,770)	(31,718)	(44,770)	(43,027)
	(10,792)	396	(10,792)	(10,913)
GBP				
Insurance and reinsurance contracts held	6,196	6,284	6,196	6,284
Financial instruments	(9,417)	(6,016)	(9,417)	(9,066)
	(3,221)	269	(3,221)	(2,781)
Impact of 1.0% weakening of Canadian dollar				
USD				
Insurance and reinsurance contracts held	(33,978)	(32,114)	(33,978)	(32,114)
Financial instruments	44,770	31,718	44,770	43,027
	10,792	(396)	10,792	10,913
GBP				
Insurance and reinsurance contracts held	(6,196)	(6,284)	(6,196)	(6,284)
Financial instruments	9,417	6,016	9,417	9,066
	3,221	(269)	3,221	2,781

Changes in foreign exchange rates mainly affect the net income (loss) and surplus as follows. The effects on net income (loss) and surplus are presented net of the related income tax.

- Net Income (loss):
  - Foreign currency gains and losses on insurance and reinsurance contracts held that are recognized in total comprehensive income (loss), including those arising from the translation of the carrying amount of the CSM.
  - Changes in the amount of Foresters Financial's share of the fair value of underlying items of direct participating contracts relating to loss components.
  - Foreign currency gains and losses on financial instruments that are recognized in total comprehensive income (loss).
- Surplus:
  - Foreign currency gains and losses recognized in OCI and the effect on total comprehensive income (loss).

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

c) Interest rate risk

i. Exposure to interest risk

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

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

For products with less predictable timing of benefit payments, investments may be made in equities or fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments as described below. The risks associated with the mismatch in portfolio duration, cash flow and asset prepayment exposure are quantified and reviewed regularly.

Many annuity and universal life insurance certificates have minimum credited interest rate guarantees ranging from 1.5% to 4% (2022 : 1.5% to 4%). Other products have implicit guarantees. Dividend paying products are sensitive to a sustained decline in interest rates to the extent dividends cannot be reduced below zero. The profitability of non-dividend paying products depends in part on the relationship between interest rates assumed in pricing compared to investment returns currently available.

Foresters Financial's interest-sensitive instruments are as follows:

	2023			2022		
	Fixed-rate	Floating rate	Total	Fixed-rate	Floating rate	Total
Financial instruments						
Assets	5,768,472	256,522	6,024,994	5,609,475	229,231	5,838,706
Liabilities	(248,326)	—	(248,326)	(248,104)	—	(248,104)
	5,520,146	256,522	5,776,668	5,361,371	229,231	5,590,602
Underlying items of direct participating contracts	(291,076)	(5,808)	(296,884)	(310,727)	(3,968)	(314,695)
	5,229,070	250,714	5,479,784	5,050,644	225,263	5,275,907
Insurance and reinsurance contracts held						
Liabilities			5,973,504			5,642,669
Assets			(816,404)			(652,847)
			5,157,100			4,989,822
Direct participating contracts			(507,094)			(517,736)
			4,650,006			4,472,086

ii. Sensitivity analysis

An analysis of Foresters Financial's sensitivity to a 1% parallel shift in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

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

	Change in net income (loss)		Change in surplus	
	2023	**2022**	**2023**	**2022**
Impact of 1.0% increase in interest rates				
Insurance contracts issued and reinsurance contracts held	403,478	365,852	403,478	365,852
Financial instruments	(440,695)	(368,530)	(440,695)	(450,424)
	(37,217)	(2,678)	(37,217)	(84,572)
Impact of 1.0% decrease in interest rates				
Insurance contracts issued and reinsurance contracts held	(525,106)	(465,915)	(525,106)	(465,915)
Financial instruments	513,888	438,004	513,888	527,966
	(11,219)	(27,912)	(11,219)	62,050

Changes in interest rates mainly affect the net income (loss) and surplus as follows. The effects on net income (loss) and surplus are presented net of the related income tax.

- Net income (loss):
  - Interest revenue and other finance costs on floating-rate financial instruments
  - Changes in the fair values of derivatives and fixed-rate financial instruments measured at FVTPL.
  - Insurance finance income and expenses recognized in total comprehensive income (loss).

- Surplus:
  - Changes in the fair value of fixed-rate financial assets measured at FVOCI.
  - The effect on total comprehensive income (loss).

d) Equity market risk

i. Exposure to equity price risk

Some insurance contract liabilities and investment contract liabilities such as products with long duration are supported, in part, by equities. There will be impacts on these liabilities, with related changes in surplus, as equity market values fluctuate.

Additional exposure to equity price risk arises from investments in equity securities and mutual funds that invest in equities. Equity price risk arising from the underlying items of direct participating insurance contracts is generally borne by the contract holders except to the extent of Foresters Financial's share of the performance of the underlying items. Foresters Financial is also exposed to equity price risk from equity guarantees in variable annuity contracts.

Foresters Financial's Risk and Investment Committee regularly monitors equity price risk and manages material investments on an individual basis. Investment limits require business units to hold diversified portfolios of assets and restrict concentration to geographies and industries. Foresters Financial does not have a significant concentration of equity price risk.

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

ii. Sensitivity analysis

An analysis of Foresters Financial's sensitivity to a 10% increase or decrease in equity prices at the reporting date, assuming all other variables remain constant, is presented below.

	Change in net income (loss)		Change in surplus	
	2023	**2022**	**2023**	**2022**
Impact of 10% increase in equity markets				
Insurance and reinsurance contracts held	(14,933)	(7,490)	(14,933)	(7,490)
Financial instruments	29,412	20,993	29,412	24,478
	14,479	13,503	14,479	16,988
Impact of 10% decrease in equity markets				
Insurance and reinsurance contracts held	14,933	12,450	14,933	12,450
Financial instruments	(29,412)	(20,993)	(29,412)	(24,478)
	(14,479)	(8,543)	(14,479)	(12,028)

Changes in equity prices mainly affect net income (loss) and surplus as follows. The effects on net income (loss) and surplus are presented net of the related income tax.

- Net income (loss) and Surplus:
  - Changes in the fair value of equity investments that are not underlying items.
  - Changes in the amount of Foresters Financial's share of the fair value of underlying items of direct participating contracts relating to loss components.

7.3 Insurance risk

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

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

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

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

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

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

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

Morbidity risk - is the occurrences of accidents and sickness for insured risks being different than assumed in pricing or the most recent valuation of actuarial liabilities, adversely impacting income. This risk includes both mis-estimation in pricing, and adverse experience resulting from weak underwriting or anti-selection by policyholders or agents.

a) Management of insurance risk

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

Foresters Financial also uses reinsurance to transfer risks as specified in its Reinsurance Risk Management Policy. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts held and the risks arising from financial assets held to fund the settlement of the liabilities. The extent to which total comprehensive income (loss) and surplus in any period are sensitive to financial risks depends on the extent to which they are economically hedged or borne by contract holders and the extent of any mismatches inherent in the accounting policies adopted by Foresters Financial.

The actuarial assumptions used in the measurement of insurance contract liabilities and reinsurance contract held assets take insurance risk factors into account as discussed in note 5. Annually, as part of Financial Condition Testing (“FCT”), Foresters Financial measures the effects of large and sustained adverse movements in insurance risk factors on the calculation of insurance contract liabilities and to assess the impact on capital requirements.

b) Key risks arising from insurance contracts

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

Policyholder behaviour risk is a key risk for deferred fixed annuity and universal life contracts. The timing of surrenders and, for deferred fixed annuities, the timing and frequency of withdrawals or annuitization may impact Foresters Financial's returns.

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

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

Universal life contracts provide the policyholder with a lump sum benefit payable on death and access to an account value. The account value is credited with interest at a rate set at Foresters Financial's discretion on a periodic basis, subject to a minimum guaranteed crediting rate. A contract typically lapses when the account value is no longer sufficient to cover the cost of insurance.

The guaranteed interests on deferred fixed annuity and universal life contracts depend on the country and date of issue and range from 1.5%-4% (2022: 1.5%-4%).

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

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

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

c) Sensitivity analysis

The table below analyzes how CSM, net income (loss), and surplus would have increased (decreased) if changes in insurance risk exposures that were reasonably possible at the reporting date had occurred.

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

	Change in CSM		Change in net income (loss)		Change in surplus	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
2023						
Mortality rates adversely impacted by 1% increase	(29,460)	(16,761)	(33,874)	(14,411)	(33,874)	(14,411)
Mortality rates adversely impacted by 1% decrease	(676)	(676)	(104)	(122)	(104)	(122)
Mortality rates favourably impacted by 1% increase	423	487	80	75	80	75
Mortality rates favourably impacted by 1% decrease	32,308	18,618	31,532	12,958	31,532	12,958
Morbidity rates (1% unfavourable)	(18)	2	(2)	(1)	(2)	(1)
Morbidity rates (1% favourable)	18	(2)	2	1	2	1
Lapse rates (10% favourable)	61,782	86,040	82,986	65,730	82,986	65,730
Lapse rates (10% unfavourable)	(1,952)	29,423	(299,663)	(263,717)	(299,663)	(263,717)
Operating expenses (10% favourable)	45,846	49,183	37,161	28,832	37,161	28,832
Operating expenses (10% unfavourable)	(43,859)	(46,733)	(33,083)	(31,361)	(33,083)	(31,361)
2022						
Mortality rates adversely impacted by 1% increase	(33,442)	(20,506)	(28,703)	(12,916)	(28,703)	(12,916)
Mortality rates adversely impacted by 1% decrease	(708)	(6,288)	(683)	(990)	(683)	(990)
Mortality rates favourably impacted by 1% increase	464	4,336	649	966	649	966
Mortality rates favourably impacted by 1% decrease	38,578	23,532	24,605	9,629	24,605	9,629
Morbidity rates (1% unfavourable)	(17)	(15)	(2)	(1)	(2)	(1)
Morbidity rates (1% favourable)	17	15	2	1	2	1
Lapse rates (10% favourable)	108,088	120,333	44,526	34,529	44,526	34,529
Lapse rates (10% unfavourable)	(13,350)	12,450	(285,738)	(249,991)	(285,738)	(249,991)
Operating expenses (10% favourable)	44,164	47,250	30,579	20,689	30,579	20,689
Operating expenses (10% unfavourable)	(42,353)	(44,973)	(25,956)	(22,848)	(25,956)	(22,848)

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

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

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

d) Concentrations of insurance risk

The following table sets out the carrying amounts of Foresters Financial's insurance contracts (gross of reinsurance) by country of issue.

	2023	**2022 (Adjusted)**
Concentration by country		
Canada	32%	31%
U.S.	57%	58%
U.K.	11%	11%
Total	100%	100%

7.4 Liquidity risk

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

a. Management of liquidity risk

Foresters Financial ensures adequate liquidity on a day-to-day operational basis by maintaining a specified minimum level of highly liquid assets (defined as all short-term investments issued by major banks and the governments of the U.S., Canada and the U.K.). Strategic liquidity is measured under both immediate (within one month) and ongoing (within one year) stress scenarios. Foresters Financial’s target liquidity ratio under both scenarios is 200.0%, a ratio that would more than support the highest claims-paying ratings for Foresters Financial, in addition to providing a significant margin above management’s expected liquidity requirements. Foresters Financial’s liquidity ratio is defined as allowable liquid assets divided by the risk-adjusted liquidity of liabilities. The risk-adjusted liquidity of liabilities is calculated by assessing the probability of a policyholder surrendering a policy for cash under each of the two scenarios, adjusted for the ability of the certificate holder to surrender under its contractual provisions.

Operating and strategic liquidity levels are managed against established guidelines.

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

The following chart shows Foresters Financial's strategic liquidity ratio:

	2023	2022
Allowable liquid assets	$ 5,643,554	$ 5,371,167
Risk-adjusted liquidity of liabilities	1,661,641	1,591,026
Liquidity ratio	339.64 %	337.59 %

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

b. Maturity analysis

i. Insurance contracts issued and reinsurance contracts held

The following table provides a maturity analysis of Foresters Financial's insurance and reinsurance contracts held, which reflects the dates on which the cash flows are expected to occur:

	Estimates of present value of future cash flows						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
December 31, 2023							
Net insurance contract liabilities	(53,342)	(7,888)	39,935	84,451	110,075	5,726,679	5,899,910
Reinsurance contracts held	23,425	13,543	3,893	(4,599)	(12,848)	(839,816)	(816,402)
December 31, 2022							
Net insurance contract liabilities	(86,683)	(44,919)	5,483	44,779	84,732	5,566,147	5,569,539
Reinsurance contracts held	33,618	19,194	8,440	2,129	(5,035)	(711,192)	(652,846)

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

	Carrying amount	
	2023	2022
Insurance contracts - excluding segregated fund net assets	4,561,305	3,784,163
Insurance contracts - segregated fund net assets	73,621	73,153

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

ii. Financial liabilities

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

	Contractual undiscounted cash flows							
2023	**1 year or less**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**	**Carrying amount**
Investment contract	28,497	—	—	—	—	—	28,497	28,497
Derivative liabilities	(3,279)	3,600	2,923	4,008	3,756	33,057	44,065	26,017
Subordinated debt	—	—	—	—	—	250,000	250,000	248,326
	25,218	3,600	2,923	4,008	3,756	283,057	322,562	302,840
2022								
Investment contract	30,077	—	—	—	—	—	30,077	30,077
Derivative liabilities	(405)	1,265	4,482	3,653	4,722	45,622	59,339	37,916
Subordinated debt	—	—	—	—	—	250,000	250,000	248,104
	29,672	1,265	4,482	3,653	4,722	295,622	339,416	316,097

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

Non-derivatives

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

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

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

Derivatives

The amounts disclosed represent the contractual undiscounted cash flows, being the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement – e.g. foreign exchange forward contracts and currency swaps – and the net amounts for derivatives that are settled net. They are estimated based on relevant market rates at the reporting date.

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

8. OTHER ASSETS

Other assets are comprised of the following:

	2023 $	2022 (Adjusted) $
Accounts receivable	21,585	34,643
Mortgage vendor take back	27,274	27,274
Deferred acquisition cost	30,683	28,385
Finance lease receivable	9,191	11,285
Prepaid expenses	4,768	7,194
Other	3,278	1,477
	96,779	110,258

The carrying value of these assets approximates their fair value. Other assets of $31,660 (2022:$ 45,710) will be realized within 12 months from the reporting date.

9. PROPERTY AND EQUIPMENT

The following table shows changes in the property and equipment balances during the year:

	Property		Equipment		
	Land $	Buildings $	Furniture and Equipment $	Leasehold Improvements $	Total $
Net carrying value as at December 31, 2022	2,082	8,001	5,983	67	16,133
Additions	—	—	647	—	647
Gains (losses) included in OCI changes in fair value	—	(411)	—	—	(411)
Depreciation expense	—	(327)	(3,635)	(36)	(3,998)
Effect of change in foreign exchange rates	61	228	40	—	329
Net carrying value as at December 31, 2023	2,143	7,491	3,035	31	12,700
Net carrying value as at December 31, 2021	2,173	8,349	7,331	103	17,956
Additions	—	—	1,935	—	1,935
Gains (losses) included in OCI changes in fair value	—	313	—	—	313
Disposals	—	—	(436)	—	(436)
Depreciation expense	—	(313)	(2,946)	(36)	(3,295)
Effect of change in foreign exchange rates	(91)	(348)	99	—	(340)
Net carrying value as at December 31, 2022	2,082	8,001	5,983	67	16,133

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

The following table shows the gross and net carrying values of property and equipment:

	Gross carrying value $	Accumulated depreciation $	Net carrying value $
December 31, 2023			
Land	2,143	—	2,143
Buildings	7,491	—	7,491
Furniture and equipment	30,575	27,540	3,035
Leasehold improvements	5,803	5,772	31
	46,012	33,312	12,700
December 31, 2022			
Land	2,082	—	2,082
Buildings	8,001	—	8,001
Furniture and equipment	31,475	25,492	5,983
Leasehold improvements	7,142	7,075	67
	48,700	32,567	16,133

Land and buildings are measured at fair value using the revaluation model. They are treated as Level 3 in the fair value hierarchy and unobservable inputs are used in the determination of the fair value, such as having an annual external appraisal by an independent property appraiser with appropriate recognized professional qualifications.

The land and building in the U.K. were revalued at December 31, 2023 by an independent appraiser. The fair value of land and building was $2,143 and $7,491 respectively ($2,082 and $8,001 respectively on December 31, 2022). When a building is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount. The net amount is re-presented to the revalued amount of the asset.

The U.K. land and building was appraised on the basis of existing use as defined in the practice statements set out in the Royal Institution of Chartered Surveyors ("RICS") valuation standards. The U.K. land component was valued using an assumption that consent to a change of use for residential would be forthcoming.

10. EMPLOYEE BENEFIT PLANS

Foresters Financial has a number of funded and unfunded defined benefit pension, defined contribution pension, post retirement and post employment benefit plans and long term disability benefits in the U.S., Canada and the U.K. The defined benefit pension plans provide benefits to employees based on an average earnings formula. Foresters Financial also provides post retirement health benefits to certain employee groups in the U.S. and Canada.

All registered pension plans are in funds that are legally separate from Foresters Financial. In the U.S. and Canada, the pension funds are governed by a Management Pension Committee ("MPC") made up of representatives from Foresters Financial. The MPC is responsible for setting policies around investments and contributions.

Actuarial valuations of the pension and post retirement benefit plans are performed periodically for accounting purposes, based on a market-related discount rate and management's best estimate assumptions.

Foresters Financial measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plans for funding purposes was February 28, 2023 for the Canadian plan and April 1, 2023 and July 1, 2023 for the U.K. plans. The effective date of the next required valuation is February 28, 2024 for the Canadian plan and April 1, 2026 and July 1, 2026 for the U.K. plans.

In 2021, Foresters Financial announced changes to its Canadian defined benefit pension plan whereby effective December 31, 2021, credited service and final average earnings were frozen which resulted in a curtailment arising. All existing members of the Canadian defined benefit pension plan joined a new defined contribution plan on January 1, 2022. On February 28, 2022, Foresters Financial filed a request with the regulator to terminate and wind up its Canadian defined benefit pension plan. An anniversary report is required to be filed with the Financial Services Regulatory Authority of Ontario every year until the plan is fully wound up. The 2023 anniversary report was filed in June 2023.

a) Defined benefit pension plans

Employee benefit assets and obligations include any surplus or deficit positions on defined benefit pension plans. The surplus or deficit position is calculated as the difference between plan assets and the accrued benefit obligation.

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

The following table shows the changes in the defined benefit pension plans assets and obligations during the year:

	2023 $	2022 $
Change in plan assets:		
Fair value of plan assets at January 1	273,002	385,897
Interest income	14,157	11,073
Return on plan assets excluding interest income	10,603	(117,052)
Employer contributions	10,937	8,034
Employee contributions	—	126
Benefits paid	(12,797)	(11,239)
Settlement payments	(402)	—
Net transfer in (out)	(641)	—
Effect of change in foreign exchange rates	1,241	(3,837)
Fair value of plan assets at December 31	296,100	273,002
Change in projected benefit obligations:		
Accrued benefit obligations at January 1	297,555	363,657
Employee contributions	—	126
Interest cost	13,061	10,289
Benefits paid	(13,218)	(11,173)
Net transfer in (out)	(641)	—
Remeasurements		
- experience adjustments	883	1,465
- actuarial (gains) losses from changes in financial assumptions	21,205	(100,118)
- actuarial (gains) losses from changes in demographic assumptions	(738)	(603)
- changes in the effect of the asset ceiling	1,052	34,538
Effect of change in foreign exchange rates	3,358	(626)
Accrued benefit obligations at December 31	322,517	297,555
Balance at December 31	(26,417)	(24,553)
Amounts recognized on consolidated statement of financial position		
Employee benefit obligations (note 10b)	26,417	24,553

Foresters Financial has reviewed both the terms and conditions of the defined benefit plans and the statutory requirements (such as minimum funding requirements) in each jurisdiction, and whether the employee benefit asset exceeded the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. For the Canada and U.K. plan, Foresters Financial has a liability for $20,851 (2022: $17,170) and $2,666 (2022: $2,773) in respect of future contributions where there will be no economic benefit to Foresters Financial.

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

The breakdown of defined benefit plan assets is shown in the following table:

	2023 %	2022 %
Cash and cash equivalents		
Canada	— %	— %
U.K	1 %	1 %
Bonds and other fixed income securities		
Canada	84 %	84 %
U.K	3 %	2 %
Equities		
Canada	— %	— %
U.K	2 %	3 %
Other		
Canada	1 %	— %
U.K	9 %	10 %
	100 %	100 %

All bonds and other fixed income securities and equities have quoted prices in active markets.

b) Employee benefit obligations

The following table shows changes in unfunded post retirement benefit obligations during the year and the total employee benefit obligations recognized in the consolidated statement of financial position:

	2023		2022	
	Pension $	Other benefits $	Pension $	Other benefits $
Change in projected benefit obligation:				
Accrued benefit obligations at January 1	25,635	7,407	33,049	10,439
Current service cost	671	—	277	—
Interest cost	1,255	348	983	260
Benefits paid	(1,730)	(694)	(2,297)	(721)
Remeasurements				
- experience adjustments	1	(158)	(382)	(296)
- actuarial (gains) losses from changes in financial assumptions	1,689	468	(6,018)	(2,380)
- actuarial (gains) losses from changes in demographic assumptions	—	—	—	(348)
Effect of change in foreign exchange rates	(15)	(128)	23	453
Accrued benefit obligations at December 31	27,506	7,243	25,635	7,407
Net obligation for defined benefit pension plans (note 10a)	26,417	—	24,553	—
Amounts recognized on consolidated statement of financial position	**53,923**	**7,243**	**50,188**	**7,407**

The weighted average duration of all the defined benefit obligations was 12 years (2022: 12 years).

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

The maturity analysis of benefit payments as at December 31 is shown in the following table:

	2023 $	2022 $
Within 1 year or less	15,575	14,750
2 -5 years	67,927	64,866
6 – 15 years	200,463	195,972
Over 15 years	426,943	410,178
Total	710,908	685,766

Foresters Financial expects to pay $12,250 in contributions to its defined benefit plans in 2024.

The table below provides the funded status of the combined defined benefit pension and post retirement plans:

	2023 $	2022 $
As at December 31		
Fair value of defined benefit plan assets (note 10a)	296,100	273,002
Present value of obligations	357,266	330,597
Funded status – deficit	(61,166)	(57,595)

Additionally, long-term disability obligations amounted to $2,419 (2022: $2,310) and are recorded in other liabilities on the consolidated statement of financial position. The benefits provided under the long-term disability plan are income replacement based on a percentage of base wages and a continuation of existing dental and medical coverage. In providing these benefits, Foresters Financial has in certain cases insured the benefit with a third party provider, while in other cases the benefits are paid by Foresters Financial. The obligation relates to claims under the non-insured component of the benefits payable.

c) Employee benefit expenses

The following amounts were charged to operating expenses on the consolidated statement of comprehensive income (loss) for expenses related to employee benefit plans:

	2023		2022	
	Pension benefits $	Other benefits $	Pension benefits $	Other benefits $
Defined benefit pension and post retirement plan expenses:				
Current service cost (income)	1,242	—	643	—
Net interest cost	158	348	198	260
	1,400	348	841	260
Defined contribution pension plans:				
Employer contributions	7,494		7,172	

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

Long-term disability benefit expense amounted to $118 and $(152) during 2023 and 2022 respectively and was included in gross benefits on the consolidated statement of comprehensive income (loss).

d) Overview of assumptions

The weighted average actuarial assumptions used in the measurement of Foresters Financial's benefit obligations and expenses were as follows:

	2023		2022	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	%	%	%	%
Assumptions used to calculate benefit obligations				
Discount rate	4.6	4.6	5.2	5.1
Future pension growth	2.1	7.2	2.1	7.2
Inflation	2.1	—	2.1	—
Assumptions used to calculate benefit expenses				
Discount rate	5.2	5.1	2.9	2.6
Future pension growth	2.1	7.4	2.1	7.4
Rate of compensation increase	—	—	3.9	—
Inflation	2.1	—	2.1	—

The discount rate is based on current market interest rates of high-quality bonds for a term to reflect the duration of expected future cash outflows for pension benefit payments.

Reasonable possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

December 31, 2023	Defined benefit obligation	
	Increase	Decrease
	$	$
Discount rate (1% movement)	(35,984)	45,968
Future pension growth (0.25% movement)	828	(7,553)
Inflation rate (0.25% movement)	675	(7,412)
Life expectancy (movement by 1 year)	9,623	(9,666)

December 31, 2022	Defined benefit obligation	
	Increase	Decrease
	$	$
Discount rate (1% movement)	(32,192)	40,986
Future pension growth (0.25% movement)	1,339	(6,836)
Inflation rate (0.25% movement)	656	(6,270)
Life expectancy (movement by 1 year)	8,044	(8,114)

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

Assumptions regarding future mortality were based on published statistics and mortality tables. The current longevity underlying the values of the defined benefit obligation at the report date were as follows:

	2023		2022	
	Canada	**U.K**	**Canada**	**U.K**
Longevity at age 65 for current pensioners				
Males	24	24	24	23
Females	24	22	24	24
Longevity at age 65 for current members aged 45				
Males	25	26	25	25
Females	25	24	25	26

The Medicare (post 65 years of age) inflation assumption for U.S. benefits is 5.6% for 2023 (2022: 5.5%) decreasing to 4.0% by 2046 and thereafter. The healthcare cost inflation assumption for Canadian benefits is 5.2% for 2023 (2022: 5.0%), decreasing to 4.0% in 2040 and thereafter.

A 1.0% change in the assumed healthcare trend rate would have the following effects:

December 31, 2023	**1.0% increase**	**1.0% decrease**
	$	**$**
Effect on service cost plus interest cost	32	(28)
Effect on accrued benefit obligations	508	(451)

December 31, 2022	**1.0% increase**	**1.0% decrease**
	$	**$**
Effect on service cost plus interest cost	26	(22)
Effect on accrued benefit obligations	645	(571)

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

11. GOODWILL AND INTANGIBLE ASSETS

a) Reconciliation of carrying amount

	Indefinite useful life	Finite useful life					
	Brand	Unit cost reductions	Management contracts and customer relationships	Software	Non-compete	Distribution Network	Total
	$	$	$	$	$	$	$
Net carrying value as at December 31, 2022	—	—	40,167	46,664	—	—	86,831
Additions	—	—	—	11,900	—	—	11,900
Amortization	—	—	(8,410)	(12,058)	—	—	(20,468)
Effect of change in foreign exchange rates	—	—	1,123	(437)	—	—	686
Net carrying value as at December 31, 2023	—	—	32,880	46,069	—	—	78,949
Net carrying value as at December 31, 2021	5,037	137	52,864	35,695	693	41,631	136,057
Additions	—	—	—	18,746	—	—	18,746
Amortization	—	(129)	(8,837)	(3,752)	(252)	(1,753)	(14,723)
Disposals	—	—	—	(3,720)	—	—	(3,720)
Impairment losses	(5,037)	—	(1,562)	(1,260)	(441)	(39,878)	(48,178)
Effect of change in foreign exchange rates		(8)	(2,298)	955	—	—	(1,351)
Net carrying value as at December 31, 2022	—	—	40,167	46,664	—	—	86,831

The following table shows the gross and net carrying values of intangibles with a finite useful life:

	Gross carrying value	**Accumulated depreciation**	**Impairment losses**	**Net carrying value**
	$	**$**	**$**	**$**
December 31, 2023				
Management contracts and customer relationships	77,631	(44,751)	—	32,880
Software	88,646	(42,577)	—	46,069
	166,277	(87,328)	—	78,949
December 31, 2022				
Unit cost reductions	5,410	(5,410)	—	—
Management contracts and customer relationships	77,703	(35,974)	(1,562)	40,167
Software	85,293	(37,369)	(1,260)	46,664
Non-compete	1,318	(877)	(441)	—
Distribution network	45,981	(6,103)	(39,878)	—
	215,705	(85,733)	(43,141)	86,831

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

Included in software was $11,511 (2022: $8,080) that was still under development and had not been amortized. During the year, software costs amounting to $18,980 (2022: $18,215) were expensed.

b) Recoverable amount of Goodwill and Intangible assets with an Indefinite life

Due to the acquisition of CPP in 2020, a cash generating unit ("CGU") was created in Canada consisting of FLIC and CPP which is reported under the NAI reporting segment. This CGU was tested for impairment annually until the end of 2022. There is no goodwill or intangible assets with an indefinite life remaining in 2023.

In 2022, Foresters Financial conducted its annual impairment testing of intangible assets, consisting primarily of distribution network, software, customer relationships and brand, based on September 30, 2022 asset balances. The recoverable amount of this CGU was based on fair value less costs of disposal, determined by applying a price to book value multiple to the carrying value of the CGU. The fair value measurement was categorized as Level 3 fair value based on the inputs in the valuation techniques used. The carrying amount of the CGU was determined to be higher than its recoverable amount of $85,046 and an impairment loss of $48,178 during 2022 was recognized. The impairment was mainly driven by the decrease in sales forecasts and projected net income as a result of refinements to actuarial assumptions for adverse mortality assumptions due to recent experience.

In determining the key assumptions management has completed an extensive review and the key assumptions identified were:

	2022
Price to Book Multiple	0.9
Discount rate (Cost of Equity)	15.5%
Discount rate (Weighted Average Cost of Capital)	12.5%

The price to book multiple is based on comparable companies in the Canadian life insurance industry factoring in the size of the companies and diversification of product portfolios.

The cost of equity discount rate is the cost of capital based on the Capital Asset Pricing Model specific to the activity of the CGU and the industry. The discount rate is based on a 20 year treasuries yield with the addition of risk premiums.

The cash flow projections included specific estimates for 10 years and a terminal value thereafter. The key assumptions upon which management based its determination of the recoverable amount of the CGU were not materially different than those used in determining the purchase price of the CGU and intangible assets.

Following the impairment loss recognized in the CGU in 2022, the recoverable amount was equal to the carrying amount.

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

12. OTHER LIABILITIES

Other liabilities were comprised of the following:

	2023	2022 (Adjusted)
	$	$
Accounts payable and accrued liabilities	39,122	39,390
Due to unit-linked funds	85,167	58,799
Payroll, other compensation and benefits	7,435	10,033
Amounts due to unitholders	36,399	32,545
Reinsurance financing provision	1,138	3,161
Fraternal benefits in the course of payment	13,140	15,162
Derivative financial instruments	26,017	37,916
Deferred gain on sale of business	4,720	10,843
Other liabilities	5,264	4,990
	$ 218,402	$ 212,839

The carrying value of these liabilities approximates their fair value. Within 12 months from the reporting date, $210,997 (2022: $199,414) will be realized.

Reinsurance financing

In 2016, Foresters Financial entered into a 10 year reinsurance arrangement (note 14), the objective of which is to enhance US statutory solvency levels. There is no risk transfer under the arrangement and this has been accounted for as such resulting in a financial liability included in provisions.

Provision for deferred gain on sale

A deferred gain on sale of $13,510 was established in 2019 and relates to an investment management fee guarantee that Foresters Financial has provided. The deferral is for the anticipated shortfall between the fees charged over an annual basis and the annual fee guarantee for the next five years until the guarantee expires in 2024. In 2023, the provision was decreased by $1,485 (2022: increased by $3,684) due to market performance and the resulting change in assets under management, and decreased by $4,503 (2022: $2,383) from a payment made against the provision.

Financial guarantee

As part of the sale of the asset management segment, Foresters Financial through its subsidiary, has made financial guarantees relating to various office leases that continue to be used by the purchaser but does not anticipate that any obligation exists nor can it be estimated reliably at this time so no provision has been established. The guarantee will end in 2025.

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

	2023	
	Provisions	
	Reinsurance financing	Deferred gain on sale
	$	$
Balance, beginning of year	3,161	10,843
Provision adjustments (note 20)	—	(1,485)
Provisions used during the year	(1,951)	(4,503)
Effect of change in foreign exchange rates	(72)	(135)
Balance, end of year	1,138	4,720

	2022	
	Provisions	
	Reinsurance financing	Deferred gain on sale
	$	$
Balance, beginning of year	4,970	8,847
Provision adjustments (note 20)	—	3,684
Provisions used during the year	(2,170)	(2,383)
Effect of change in foreign exchange rates	360	695
Balance, end of year	3,161	10,843

13. LEASES

a) Information about leases for which Foresters Financial is a lessor:

Foresters Financial entered into sublease arrangements as a lessor for office space currently leased by the Company. As the subleases are for the major part of the useful life of the right-of-use asset, it is classified as a finance lease. Finance lease receivable is included in other assets.

The following table sets out a maturity analysis of the finance lease receivable, showing the undiscounted lease payments to be received after the reporting date.

	2023	2022
	$	$
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	1,971	2,017
1 to 2 years	1,971	2,017
2 to 3 years	1,720	2,017
3 to 4 years	1,595	1,760
4 to 5 years	1,595	1,632
More than 5 years	930	2,585
Total undiscounted lease payments	**9,782**	**12,028**
Unearned finance income	1,648	2,475
Net investment in the lease	**11,430**	**14,503**

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

The finance income on the net investment in the lease for the year is $67 (2022: $47). The gain on sublease recognized into income is $nil (2022: $500).

b) Information about leases for which Foresters Financial is a lessee:

Foresters Financial leases office space, vehicles and equipment for its use. Office space leases have a non-cancellable term with an option to extend the lease at the end of the lease term. Some office space and equipment leases have variable lease payments that vary with the use of the leased asset. In 2022, Foresters Financial also began leasing the office space for its Canadian Head Office as part of a sale and leaseback agreement.

Right-of-use assets	**Office space $**	**Vehicles $**	**Equipment $**	**Total $**
Balance at January 1, 2023	15,588	2,007	222	17,817
Additions	—	581	638	1,219
Depreciation	(3,051)	(1,395)	(252)	(4,698)
Disposals	(9,677)	—	—	(9,677)
Effect of change in foreign exchange rates	(9)	54	1	46
Balance as at December 31, 2023	2,850	1,247	610	4,707

Right-of-use assets	**Office space $**	**Vehicles $**	**Equipment $**	**Total $**
Balance at January 1, 2022	8,733	2,645	477	11,855
Additions	12,441	932	82	13,455
Depreciation	(4,290)	(1,450)	(334)	(6,074)
Disposals	(1,534)	—	—	(1,534)
Effect of change in foreign exchange rate	238	(120)	(3)	115
Balance as at December 31, 2022	15,588	2,007	222	17,817

	2023 $	**2022 $**
Lease liabilities maturity analysis - contractual undiscounted cash flows		
Less than one year	6,137	10,173
1-5 years	10,681	25,791
Over 5 years	1,071	2,975
Total undiscounted lease liabilities at December 31	**17,890**	**38,939**
Amounts recognized in total comprehensive income (loss)		
Interest on lease liabilities	638	880
Expenses relating to short-term, low-value and variable lease payments	845	869
	1,484	**1,749**
Amounts recognized in statement of cash flows		
Total cash outflow for leases	**13,378**	**18,796**

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

14. CAPITAL MANAGEMENT

Foresters Financial's capital base consists of retained earnings and AOCI as shown on the consolidated statement of changes in surplus. OSFI has updated the LICAT 2023 capital guidance to reflect the adoption of IFRS 17 by life insurers in Canada.

Foresters Financial's objective with respect to capital management is to maintain a consistently strong capital position, to comply with local solvency requirements in all jurisdictions in which Foresters Financial operates and to build on Foresters Financial's value by taking advantage of business and investment opportunities as they arise.

In accordance with the Board approved Capital Management Policy, Foresters Financial has established internal capital targets for capital adequacy at both a consolidated and segment level. These targets exceed local minimum statutory capital requirements in each jurisdiction in which Foresters Financial operates. Foresters Financial projects its capital requirements over a five year period. On a quarterly basis, management monitors performance against internal capital targets and its capital plans, and initiates action when appropriate.

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

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

The LICAT ratios as at December 31 shown below, were above the levels that would require any regulatory or corrective action.

		2023 $	2022 $
Available capital (A+B)		$ 2,778,623	$ 2,220,064
Tier 1 Capital	A	2,011,264	1,469,582
Tier 2 Capital	B	767,359	750,482
Surplus allowance and eligible deposits	C	627,956	917,991
Base solvency buffer	D	1,748,078	1,895,454
Total ratio (%)			
([A+B+C] / D) x 100		194.88 %	165.56 %

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

Other capital management considerations

In 2016, Foresters entered into a 10 year reinsurance arrangement, the objective of which is to enhance US statutory solvency levels. There is no risk transfer under the arrangement and this has been accounted for as such resulting in a financial liability included in other liabilities (note 12) on the consolidated statement of financial position and a reinsurance financing fee included in operating expenses on the consolidated statement of comprehensive income (loss).

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

Foresters Financial had a number of forward contracts to hedge against currency fluctuations to minimize the impact of U.S. dollar foreign currency gains and losses on the capital ratio. These instruments are accounted for as derivative financial instruments on the consolidated statement of financial position.

15. SUBORDINATED DEBT

The following obligation is included in other liabilities as at December 31 and qualifies as Tier 2 capital for Canadian regulatory purposes:

				2023	2022
	Interest rate	**Earliest par call or redemption date**	**Maturity**	**Carrying value**	**Carrying value**
Issued October 15, 2020	2.885%	October 15, 2030	2035	$248,326	$248,104

On October 15, 2020, Foresters Financial completed an offering of $250 million principal amount of Series 2020-1 Subordinated Unsecured Fixed/Floating Debenture due October 15, 2035 and callable on October 15, 2030 for net proceeds after discount, commissions and expenses of $247,664. From October 15, 2030, interest is payable at 1.77% over Canadian dollar offered rate for three-month bankers' acceptances ("CDOR"). Commission and expenses of $2,336 were included in the carrying value of the note. The other liabilities presented in Foresters Financial's consolidated statement of financial position are subordinated to the claims of policyholders and certain other creditors.

Interest expense on subordinated debt was $7,426 for 2023 and $7,420 for 2022.

16. FEE REVENUE AND OTHER OPERATING INCOME

Fee revenue and other operating income is recognized when Foresters satisfies its performance obligations for the related services. Fee revenue primarily consists of investment management fees which are earned on the management of segregated funds.

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

	2023 $	2022 $
Fee revenue	109,073	98,139
Other income	3,259	7,727
Net foreign currency gains/losses on other assets/liabilities	192	2,664
Total fee revenue and other operating income	112,524	108,530

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

17. EXPENSES

A breakdown of expenses by nature is provided below:

	2023 $	2022 (Adjusted) $
Claims and Benefits	469,561	483,174
Salaries, Wages and Allowances	174,150	166,512
Defined Benefit Pension Plan Expense	3,635	1,071
Professional and Service Fees and Expenses	101,407	114,228
Commissions	198,119	266,827
Losses and Reversals of Losses on Onerous Contracts	200,759	190,074
Amortization of Property & Equipment	8,696	10,032
Amortization of Intangible Assets	20,468	18,350
Rent	9,935	8,432
Interest on Subordinated Debt	7,426	7,420
Other	7,750	1,142
Subtotal	**1,201,906**	**1,267,262**
Amounts Attributed to Insurance Acquisition Cash Flows	(262,587)	(327,477)
Amortization of Insurance Acquisition Cash Flows	87,021	54,634
Total	**1,026,340**	**994,419**
Represented by:		
Insurance Service Expenses	868,344	835,990
Operating Expenses	157,996	158,429
	1,026,340	**994,419**

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

18. INCOME TAXES

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

	2023	2022 (Adjusted)
Current income tax recovery:		
Current year	9,085	13,837
Deferred income tax expense (benefit):		
Relating to the origination and reversal of temporary differences	(3,326)	(2,443)
Change in unrecognized deductible temporary differences	2,146	(26,794)
Adjustments for prior periods	(21,213)	(1,365)
Write down of intangibles	—	(12,767)
Tax rate adjustment on loss carry back	3	(2,005)
Other taxes	1,248	(1,328)
	(21,142)	(46,702)
Total income taxes expense (recovery)	(12,057)	(32,865)

Cash taxes paid were $10,633 (2022: $6,751). Cash tax refunds received during the year were $8,627 including $58 in interest. (2022: Tax refunds of $27,570 including $27 in interest).

On March 27, 2020, the US president signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act ("the Act") with retroactive effect. As a result, Foresters Financial will benefit from tax relief related to the carry-back of net operating losses. The Act allowed companies to carry back for five years the full amount of net operating losses arising in tax years beginning after December 31, 2017 and before January 1, 2021. As a result of the Act, in 2020, Foresters Financial recognized the tax effect of 2020 current year net operating losses ($30,222) and prior year unrecognized tax deductions ($27,700) with a tax impact totaling $18,660. In 2021, these amounts were adjusted to reflect the actual amounts of operating losses as filed resulting in an increase in the 2020 operating losses of $12,398 with a tax impact of $5,405.

a) Income taxes included in OCI

Other comprehensive income is presented net of income taxes. The following current and deferred income tax amounts were included in each component of OCI:

	2023 $	2022 $
Income tax expense on net change in unrealized gains and losses on AFS assets	—	17,256
Income tax recovery (expense) on reclassification of realized gains and losses on AFS Assets	—	(3,378)
Income tax expense on remeasurement gains and losses on employee benefit plans	683	800
Income tax recovery (expense) on unrealized gains and losses on property	—	(5,343)
Total income (tax expense) recovery	683	9,335

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

b) Reconciliation of effective tax rate

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

	2023		2022	
	$	%	$	%
Net income (loss) after taxes	189,888		78,090	
Income tax (recovery) expense	(12,057)		(32,865)	
Income (Loss) from continuing operations before income taxes	177,831		45,225	
Combined federal and provincial statutory income tax rate for the current year	46,965	26.4 %	11,943	26.4
Amounts not subject to tax	(48,324)	(27.2)%	(5,872)	(13.0)
Tax rate differences	(59)	— %	(1,757)	(3.9)
Capital taxes	582	0.3 %	932	2.06
Tax adjustments related to prior years	(12,914)	(7.3)%	(1,052)	(2.3)
Difference between Canadian and foreign statutory rates	(1,244)	(0.7)%	(475)	(1.1)
Policyholder taxes on U.K Ring Fenced Funds	(1,040)	(0.6)%	(8,007)	(17.7)
Unrecognized deferred taxes	2,146	1.2 %	(26,794)	(59.2)
Other taxes	1,831	1.0 %	(1,783)	(3.9)
Income tax (recovery) expense	(12,057)	(6.8)%	(32,865)	(72.7)

For 2023, income tax expense is equal to (6.8)% (2022: (72.7)%) of income before income taxes from continuing operations.

c) Deferred income taxes

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

Deferred tax assets and liabilities were shown on the consolidated statement of financial position. The following table shows net deferred tax assets at December 31:

	2023	2022
	$	$
Deferred tax assets	62,961	42,174
Deferred tax liabilities	6,539	7,647
Net deferred tax assets	56,422	34,527

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

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

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

	2023			2022		
	Asset	Liability	Net	Asset	Liability	Net
	$	$	$	$	$	$
Bonds	—	(235)	(235)	—	(91)	(91)
Loans to certificate holders	—	—	—	—	—	—
Other invested assets	—	(7,847)	(7,847)	—	(2,381)	(2,381)
Property and equipment	—	(1,336)	(1,336)	—	(919)	(919)
Goodwill and intangibles	—	(6,048)	(6,048)	0	(7,075)	(7,075)
Employee benefit assets and obligations	4,103	—	4,103	1,192	—	1,192
Insurance contract liabilities	—	(37,267)	(37,267)	—	(6,204)	(6,204)
CSM	51,728	—	51,728	24,107	—	24,107
Other liabilities	1,142	—	1,142	937	—	937
Tax loss carry-forwards	52,182	—	52,182	24,961	—	24,961
Recognized deferred tax assets (liabilities)	109,155	(52,733)	56,422	51,197	(16,670)	34,527

The net movement in the deferred tax assets and liabilities was as follows:

	2023	2022
	$	$
Beginning of year	34,527	(17,966)
(Charges) credits included in net income	(246)	40,679
(Charges) credits included in OCI	684	4,926
Adjustments related to prior periods	21,740	6,024
Change in unrecognized deductible temporary differences	(218)	0
Exchange rate differences	(65)	864
End of year	56,422	34,527

Recognized deferred tax assets

There were accumulated tax losses in the U.K. amounting to $19,472 (2022: $9,361) and $32,710 (2022: $15,600) in Canada which have been recognized in these consolidated financial statements. These losses do not expire.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	2023	2022
	$	$
Deductible temporary differences	2,904	5,632
Tax losses, credits and unclaimed deductions	33,442	30,731
	36,346	36,363

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

There were unclaimed tax deductions in Canada amounting to $5,419 (2022: $4,449) which have not been recognized in these consolidated financial statements as it is not probable that future taxable income will be available against which to apply these deductions. These unclaimed deductions do not expire.

There were unclaimed tax deductions and tax credits amounting to $11,125 (2022: $9,183) that have not been recognized in the consolidated financial statements as it is not probable that future taxable income will be available against which to apply these deductions. These unclaimed deductions expire beginning in 2032 through 2043.

d) Taxable income in Canada

The Canada Revenue Agency ("CRA") reassessed Foresters' 2014 taxation year to add approximately $25.4 million in additional income by increasing the level of assets it considers to be used in Foresters' Canadian insurance business and consequently adding to income the gross investment revenue on these assets. In December 2019, Foresters filed a Notice of Appeal to this reassessment with the Tax Court of Canada. The Tax Court of Canada (TCC) rendered its decision on August 17, 2023 which was in favour of Foresters. The Crown will be appealing the decision at the Federal Court of Appeal. A final ruling at the Federal Court of Appeal is not anticipated until the end of 2024 at the earliest. The court outcome for the 2014 taxation year is expected to set precedent for subsequent years. Foresters continues to defend its tax filing position vigorously. Accordingly, no amounts have been accrued in the consolidated financial statements.

e) Tax legislative changes

The UK Finance (No. 2) Act 2023 was enacted on July 11, 2023, which puts into effect the OECD Pillar Two tax measures beginning January 1, 2024. The OECD/G20 Pillar Two Framework introduces a 15% global minimum tax on Multinational Enterprises (MNEs) with global revenues of €750m and above. Foresters global revenues are above the €750m threshold and therefore its UK operations will be subject to Pillar Two minimum tax requirements beginning 2024. Given the UK statutory tax rate is above the 15% pillar two minimum, Foresters does not expect to incur a minimum top up tax with respect to its UK operations.

As a result of the implementation of IFRS 17, the Canadian tax legislation will compute the tax deductible reserves based on the revised balance along with a further adjustment to disallow 90% of the CSM balance. The impact of this for the Canadian operations results in a decrease in deductible tax reserves. The legislation provides for transitional relief in respect of this decrease in tax reserves as of January 1, 2023 to include this in taxable income over a 5 year period. As a result of this, a deferred tax liability is set up for the impact of this transitional measure and a deferred tax asset is reflected in respect of the 90% disallowed CSM amount.

19. SEGMENTED INFORMATION

Foresters Financial has four reportable segments - three operating segments and a corporate segment - which reflect Foresters Financial's internal management structure and basis for internal financial reporting. Each operating segment includes branch operations and/or subsidiary companies, is organized to meet the needs of local markets and is responsible for developing its own products. The Corporate segment manages surplus assets, provides certain administrative services for the operating segments and is responsible for capital management. NAAM was discontinued during 2019 as described in note 20. The primary sources of revenue from the operating segments in NAI and UKSIP are:

- insurance revenue derived from life and health insurance products that provide protection against mortality and morbidity risks, as well as annuity products that provide asset accumulation or wealth management benefits,
- net investment income (note 3), and
- fee and other income derived primarily from investment management services (note 16).

The primary source of revenue in the Corporate segment is investment income derived from managing the surplus assets. In addition, Foresters Financial has a membership operation which works closely with the insurance operations in all three countries to develop and administer member benefits.

Segment profits are based on internal management statements and are used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. All transactions between reporting segments are completed on an arm's length basis and consist of operational services provided. Consolidated segmented statements of comprehensive income and financial position are shown below.

There is a widely diversified certificate holder base and therefore no reliance on any individual customers.

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

Segmented statement of comprehensive income (loss)

	2023					
	North America Insurance	**U.K. Savings, Investments and Protection**	**Membership**	**Corporate**	**Total Continuing Operations**	**North American Asset Management (discontinued)**
Revenue						
Insurance Revenue	882,585	20,385	—	—	902,970	—
Net Investment Result	153,866	(10,141)	10,199	10,811	164,735	—
Fee revenue	1,397	107,676	—	—	109,073	—
Other operating income	2,037	665	557	192	3,451	—
Total revenue	1,039,885	118,585	10,756	11,003	1,180,229	—
Insurance Service Expenses	(854,766)	(13,578)	—	—	(868,344)	—
Net expenses from reinsurance contracts held	41,467	(1,304)	—	—	40,163	—
Other Operating Expenses	(64,437)	(81,137)	(28,643)	—	(174,217)	1,485
Income (loss) before income taxes	162,149	22,566	(17,887)	11,003	177,831	1,485
Income taxes	14,259	(2,202)	—	—	12,057	—
Income (loss)	176,408	20,364	(17,887)	11,003	189,888	1,485
Other comprehensive income (loss)	(43,836)	6,612	(11)	—	(37,235)	—
Total comprehensive income (loss)	$ 132,572	$ 26,976	$ (17,898)	$ 11,003	$ 152,653	$ 1,485

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

	2022 (Adjusted)					
	North America Insurance	U.K. Savings, Investments and Protection	Membership	Corporate	Total Continuing Operations	North American Asset Management (discontinued)
Revenue						
Insurance Revenue	879,530	3,599	—	—	883,129	—
Net Investment Result	116,107	(2,913)	(23,599)	(25,344)	64,251	—
Fee revenue	1,538	96,601	—	—	98,139	—
Other operating income	8,015	(892)	604	2,664	10,391	—
Total revenue	1,005,190	96,395	(22,995)	(22,680)	1,055,910	—
Insurance Service Expenses	(821,695)	(14,295)	—	—	(835,990)	—
Net expenses from reinsurance contracts held	46,540	(338)	—	—	46,202	—
Other Operating Expenses	(114,434)	(74,721)	(26,057)	(5,685)	(220,897)	(3,684)
Income (loss) before income taxes	115,601	7,041	(49,052)	(28,365)	45,225	(3,684)
Income taxes	19,672	13,193	—	—	32,865	—
Income (loss)	135,273	20,234	(49,052)	(28,365)	78,090	(3,684)
Other comprehensive income (loss)	(84,803)	(33,678)	(686)	1,955	(117,212)	—
Total comprehensive income (loss)	$ 50,470	$ (13,444)	$ (49,738)	$ (26,410)	$ (39,122)	$ (3,684)

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

Segmented statement of financial position

	North America Insurance	U.K. Savings, Investments and Protection	Membership	Corporate	North American Asset Management (discontinued)	Total
As at December 31, 2023						
Total general fund assets	$ 7,101,048	$ 1,055,956	$ 286,659	$ 73,731	$ 14,833	$ 8,532,227
Net investments for accounts of segregated fund unit holders	73,594	8,279,695	—	—	—	8,353,289
Total general fund liabilities	$ 5,679,850	$ 775,063	$ 13,510	$ 2,596	$ 18,380	$ 6,489,399
December 31, 2022 (Adjusted)						
Total general fund assets	$ 6,799,115	$ 1,026,665	$ 133,384	$ 73,116	$ 27,826	$ 8,060,106
Net investments for accounts of segregated fund unit holders	73,131	7,734,776	—	—	—	7,807,907
Total general fund liabilities	$ 5,357,388	$ 755,978	$ 20,593	$ 7,000	$ 30,457	$ 6,171,416

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

The following table shows revenue from continuing operations for Foresters Financial by country:

	2023 $	2022 (Adjusted) $
U.S.	729,188	613,689
Canada	332,218	345,538
U.K.	118,823	96,683
Total	1,180,229	1,055,910

20. DISCONTINUED OPERATIONS

In 2019, Foresters Financial sold assets from the NAAM segment including the sale of its Canadian subsidiary, FAM. Management committed to a plan to exit this segment following a strategic decision to place greater focus on the Company's core business of life insurance. As a result, NAAM's financial results are disclosed as discontinued operations in the consolidated statement of comprehensive income (loss). There were 3 separate transactions:

1) Select assets from the broker dealer and advisory business ofForesters Financial Services, Inc. ("FFS") were sold to Cetera Financial Group.
2) 100% of the outstanding shares of Foresters Canadian asset management business, FAM, were sold to Fiera Capital.
3) Foresters Financial sold assets related to its investment management business through Foresters Investment Management Company, Inc. ("FIMCO") to Macquarie Investment Management.

a) Results of discontinued operations

	2023 $	2022 $
Revenue (Expense)	1,485	(3,684)
Net income (loss) from discontinued operations, net of tax	**1,485**	**(3,684)**

A deferred gain on sale of was established in 2019 and relates to an investment management fee guarantee that Foresters Financial has provided. The deferral is for the anticipated shortfall between the fees charged over an annual basis and the annual fee guarantee for the next five years until the guarantee expires in 2024. In 2023, the provision for the deferred gain on sale was decreased by $1,485 (2022: increased by $3,684) due to market performance and the resulting change in assets under management.

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

b) Cash flows from (used in) discontinued operations

The net cash flows from discontinued operations included in the consolidated statement of cash flows were as follows:

	2023 $	2022 $
Net cash used in operating activities	(4,503)	(2,383)
Net cash from investing activities	—	—
Net cash used in/from financing activities	—	—
Net cash flows for the year	**(4,503)**	**(2,383)**

21. RELATED PARTY TRANSACTIONS

Foresters Financial's subsidiaries provide distribution and insurance administration services to Foresters Financial. Additionally, Foresters Financial provides certain administrative services to some of its subsidiaries in the normal course of business. All fees paid and costs incurred for the transactions are determined on an arm's length basis. Transactions between Foresters Financial and its subsidiaries, which are related parties have been eliminated on consolidation and have not been disclosed in this note.

Management has established procedures to review and approve transactions with related parties and reports annually to various committees of the Board on the procedures followed and the results of the review.

There are no loans or guarantees provided by Foresters Financial to related parties outside the consolidated group.

a) Compensation of key management personnel

Foresters Financial's key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the organization. Key management personnel are comprised of directors and executive officers of Foresters Financial. The remuneration of key management personnel was as follows:

	2023 $	2022 $
Salaries and other short-term employee benefits	17,729	22,357
Post-employment benefits	1,373	1,288
Other long-term benefits	4,924	3,020
Termination benefits	1,871	4,097
Total compensation of key management personnel	25,897	30,762

b) Seed money in segregated funds

Foresters Financial manages and administers segregated funds established by Independent Order of Foresters. As manager, Foresters Financial is responsible for the provision of all general management and administrative services required by the segregated funds in their day-to-day operations, including providing or arranging for the provision of investment advice, bookkeeping, recordkeeping and other administrative services.

In 2023 and 2022, Foresters Financial did not redeem any seed investment units.

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

22. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

In the normal course of business, Foresters Financial enters into contracts that give rise to obligations fixed by agreement as to the timing and dollar amount of payment. Foresters Financial has obligations for two policy dividend practices pursuant to assumption reinsurance transactions from MetLife Canada and Prudential Insurance Company of America. On October 30, 2009, the Company acquired insurance policies, annuities and certificates from MetLife Canada pursuant to an assumption reinsurance transaction and agreed to continue the dividend practices of MetLife Canada for the assumed policies. On July 31, 2006, the Company acquired insurance policies from Prudential Insurance Company of America ("Prudential") pursuant to an assumption reinsurance transaction and agreed to continue the dividend practices of Prudential for the assumed policies. As at December 31, 2023, Foresters Financial's contractual obligations and commitments were as follows:

December 31, 2023	1 year or less $	2 -5 years $	Over 5 years $	Total $
Obligations under service contracts	41,401	77,236	1,206	119,843
Investment commitment	153,689	—	—	153,689
Total contractual obligations	195,090	77,236	1,206	273,532

23. CONTINGENT LIABILITIES

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

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

24. PRINCIPAL SUBSIDIARIES

The table below provides a list of Foresters Financial's directly and indirectly held major operating subsidiaries, all of which have been fully consolidated.

Name	Country of incorporation	Primary business operation	Ownership and control interest (%)	
			2023	2022
Foresters Life Insurance Company	Canada	Insurance Operations	100%	100%
Canada Protection Plan Inc.	Canada	Insurance broker and administrator	100%	100%
Forester Holdings (Europe) Limited	U.K.	Insurance and asset management operations	100%	100%
Foresters Investment Management Company, Inc.	U.S.	Inactive	100%	100%

There is no non-controlling interest in any of the subsidiaries and there are no significant restrictions that affect the ability to access or use the assets and settle the liabilities of any subsidiary.

25. COMPARATIVE INFORMATION

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