Foresters Financial

Consolidated Financial Statements of

The Independent Order of Foresters

Year ended December 31, 2024

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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. International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada ("OSFI") have been applied and management has exercised its 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 PricewaterhouseCoopers LLP Chartered Professional Accountants ("Auditors") who were appointed by the Audit Committee on February 13, 2024. The Appointed Actuary's Report outlines the scope of the valuation and the Actuary's opinion.

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 Auditor's report outlines the scope of their audit and their opinion.

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

Toronto, Ontario, Canada

February 19, 2025

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, 2024.

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

Trudy Engel
Fellow, Canadian Institute of Actuaries

Toronto, Ontario, Canada
February 19, 2025

Independent auditor's report

To the Board of Directors of The Independent Order of Foresters

Our opinion

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

What we have audited
The Company's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

Comparative information

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
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Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 19, 2025

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

	Note	2024	2023
Insurance revenue	5	$ 910,304	$ 902,970
Insurance service expenses	5	(1,175,873)	(868,344)
Net recovery from reinsurance contracts held	5	75,520	40,163
Insurance service result		(190,049)	74,789
Net investment income (loss) excluding result of segregated funds and unit linked contract holders	3	228,064	563,415
Net investment income (loss) related to segregated funds and unit linked contract holders net assets		794,416	646,565
Financial changes related to segregated funds and unit linked holders net liabilities		(794,416)	(646,565)
Net investment result of segregated funds and unit linked contract holders		—	—
Investment return		228,064	563,415
Net finance income (expenses) from insurance contracts	5	(14,255)	(475,809)
Net finance income (expenses) from reinsurance contracts held	5	(24,769)	78,026
Interest on investment contract liabilities		(785)	(897)
Net financial result		188,255	164,735
Fee revenue and other operating income	16	126,884	112,524
Operating expenses	17	(164,616)	(150,570)
Interest on subordinated debt	15	(7,453)	(7,426)
Fraternal investment		(16,334)	(16,221)
Total other income and expenses		(61,519)	(61,693)
Net income (loss) before income taxes		(63,313)	177,831
Current income tax benefit (expense)	18	(4,936)	(9,085)
Deferred income tax benefit (expense)	18	10,748	21,142
Total income taxes		5,812	12,057
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		$ (57,501)	$ 189,888
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES		742	1,485
TOTAL NET INCOME (LOSS)		(56,759)	191,373
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to net income			
Remeasurement gains (losses) on employee benefit plans, net of income tax expense of $1,594 (2023: ($683))	10	7,499	(12,526)
Net unrealized gains (losses) on property, net of income tax expense $0 (2023: $0)		—	(411)
Total items that will not be reclassified to net income		7,499	(12,937)
Items that are or may be reclassified subsequently to net income			
Net unrealized foreign currency translation gains (losses)		142,402	(24,298)
Total items that are or may be reclassified subsequently to net income		142,402	(24,298)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		149,901	(37,235)
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ 93,142**	**$ 154,138**

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

Consolidated Statement of Financial Position
As at December 31
(in thousands of Canadian dollars)

	Note	2024	2023
ASSETS			
Cash and cash equivalents	3	$ 226,635	$ 163,708
Short-term securities	3	108,384	82,311
Financial assets measured at fair value	3	7,563,936	7,130,452
Insurance contract assets	5	12,444	8,013
Reinsurance contract held assets	5	926,037	816,406
Accrued investment income		63,078	55,115
Other assets	8	98,742	96,779
Property and equipment	9	12,745	12,700
Current tax assets	18	30,130	20,126
Deferred tax assets	18	77,280	62,961
Right of use assets	13	5,430	4,707
Intangible assets	11	74,365	78,949
Net investments for accounts of segregated funds and unit linked contract holders	4	9,267,923	8,353,289
TOTAL ASSETS		**$ 18,467,129**	**$ 16,885,516**
LIABILITIES			
Insurance Contract Liabilities – Excluding segregated funds net liabilities and guarantees	5	$ 6,440,679	$ 5,907,896
Insurance Contract Liabilities – Segregated fund guarantees	5	2	27
Insurance Contract Liabilities – Segregated funds net liabilities	5	74,587	73,594
Total insurance contract liabilities		6,515,268	5,981,517
Reinsurance contract liabilities held	5	2	2
Current tax liabilities	18	789	1,186
Deferred tax liabilities	18	11,600	6,539
Other liabilities	12	273,277	218,402
Lease liabilities	13	15,847	17,358
Subordinated debt	15	248,558	248,326
Employee benefit obligations	10	44,207	61,166
Investment contract liabilities - Excluding segregated fund net liabilities	6	28,275	28,497
Investment contract liabilities - Segregated fund net liabilities and unit holders linked liabilities	4	9,193,336	8,279,695
TOTAL LIABILITIES		16,331,159	14,842,688
SURPLUS			
Retained earnings		1,780,116	1,836,875
Accumulated other comprehensive income		355,854	205,953
TOTAL SURPLUS		2,135,970	2,042,828
TOTAL LIABILITIES AND SURPLUS		**$ 18,467,129**	**$ 16,885,516**

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

On behalf of the Board:

Matthew M. Berman
President and Chief Executive Officer

Daniel John Fortin
Chair of the Board

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

	Retained earnings	Accumulated Other Comprehensive Income (Loss)			
		Cumulative translation account	Net unrealized gains (losses) on property	Remeasurement gains (losses) on employee benefit plans	Total
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**
Net income (loss)	(56,759)	—	—	—	—
Other comprehensive income (loss)	—	142,402	—	7,499	149,901
Total comprehensive income (loss) for the period	(56,759)	142,402	—	7,499	149,901
Balance as at December 31, 2024	**$ 1,780,116**	**$ 415,565**	**$ 3,521**	**$ (63,232)**	**$ 355,854**

The accompanying material accounting policy 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)

	2024	2023
	$	$
Cash flow from operating activities		
Net income (loss)	(56,759)	191,373
Items not affecting cash:		
Interest expense related to financing activities	7,453	7,426
Depreciation and amortization on property and equipment and intangible assets	29,819	29,164
Net increase (decrease) in insurance contracts - excluding segregated funds	194,128	390,751
Net increase (decrease) in reinsurance contracts held	(73,755)	(171,645)
Net increase (decrease) in investment contracts	(1,528)	(1,571)
Net realized and unrealized gains (losses) on financial investments and derivatives	50,457	(289,413)
Amortization of premium and discount on bonds	(1,573)	(140)
Net foreign currency gains (losses) on other assets and other liabilities	(5,253)	1,497
Employee benefit provision	3,557	3,635
Deferred income tax expense (recovery)	(10,748)	(21,142)
Net change in other assets and other liabilities	(5,346)	(5,729)
Increase (decrease) due to operating activities	**130,452**	**134,206**
Cash flow from investing activities		
Investments sold or matured:		
Bonds	2,230,317	2,164,206
Short-term securities	1,291,533	1,430,558
Equities	270,935	248,032
Mortgages	2,951	2,347
Investments acquired:		
Bonds	(2,346,669)	(2,306,515)
Short-term securities	(1,309,555)	(1,351,816)
Equities	(180,412)	(242,746)
Mortgages	(45,546)	(24,700)
Other items, net	25,989	11,955
Increase (decrease) due to investing activities	**(60,457)**	**(68,679)**
Cash flow from financing activities		
Payment of lease liabilities	(8,598)	(13,378)
Interest expense paid	(7,221)	(7,212)
Increase (decrease) due to financing activities	**(15,819)**	**(20,590)**
Effect of movements in exchange rates on cash and cash equivalents	8,751	(65)
Net increase (decrease) in cash and cash equivalents	62,927	44,872
Cash and cash equivalents, beginning of year	163,708	118,836
Cash and cash equivalents, end of period	**$ 226,635**	**$ 163,708**
Cash and cash equivalents consist of:		
Cash	$ 180,675	$ 141,537
Cash equivalents	45,960	22,171
	$ 226,635	**$ 163,708**
Supplementary cash flow information related to operating activities:		
Income taxes paid, net of (refunds)	14,579	3,243
Interest income received	266,131	240,863
Dividend income received	7,078	7,558

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

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.

1.1 Basis of Presentation

a) Statement of Compliance

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

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

b) Basis of measurement

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

Item	Measurement basis
Financial assets at fair value through profit and loss ("FVTPL")	Fair value
Insurance and reinsurance contracts held	Current value as prescribed by IFRS 17
Investment contracts - 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
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].
Other	• Recognition of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 18].

Estimates and Assumptions	Applicable to Foresters Financial
Financial assets	• Determining the fair value of financial assets and financial liabilities. Primarily in relation to financial instruments which are not traded in an active market which are determined using valuation techniques [Note3].
Insurance contracts issued and reinsurance contracts held	• Measurement of insurance contracts including future cash flows, risk adjustment for non-financial risk, discount rates, investment components, contractual service margin, weighting of benefits provided by insurance coverage under a contract and allowable expenses [Note 5].
Other	• Measurement of employee post-retirement benefit assets and liabilities [Note 10].
	• Measurement of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used [Note 18].

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 23.

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 19) 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 Foresters Financial's core business of life insurance and annuities. 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 annual 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 investment income (loss) on the consolidated statement of comprehensive income (loss) in relation to investments. For insurance contracts, these foreign exchange differences are recorded with in net finance income (expenses) from insurance contracts.

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 measurement categories for each class of Foresters Financial's financial assets and financial liabilities.

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

a) Recognition and initial measurement

All financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date 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

Classification

On initial recognition, a financial asset is classified as measured at FVTPL or amortized cost depending on the business model in which it is managed and its inherent cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition, unless 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.

All financial assets not classified as measured at amortized cost 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 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).

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 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.

Classification and initial measurement

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

Financial liabilities are designated at FVTPL if doing so either eliminates or significantly reduces accounting mismatch with the supporting assets or that the liabilities and supporting assets are managed together and their performance is evaluated on a fair value basis. Refer to sections below for further details on financial liabilities measured at FVTPL and amortized cost inclusive of subsequent measurement.

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 the consolidated statement of comprehensive income (loss). Fair value changes attributable to changes in own credit risk are also recorded in the consolidated statement of comprehensive income (loss).

Investment contracts without discretionary participating feature (DPF) are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at FVTPL. Foresters Financial designates these investment contracts to be measured at FVTPL, because it eliminates or significantly reduces a measurement or recognition inconsistency (that is, an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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 the consolidated statement of comprehensive income (loss). Any gain or loss on derecognition is also recognized in the consolidated statement of comprehensive income (loss).

Interest expense is recognized in the consolidated statement of comprehensive 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 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.

d) 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 with DPF	GMM
UK conventional and unitized with-profit contracts	Insurance contract	Variable Fee Approach (VFA)
UK unit-linked protection contracts	Investment contract with DPF	VFA
Reinsurance contracts held	Reinsurance 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 the pricing of these contracts such that they result in reinsurance contracts held in a net gain position or a net cost position without a significant possibility of a net gain arising subsequently.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constraints 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 reinsurance contracts as follows:

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

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

The coverage period is the period during which 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:

Insurance contracts	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which 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.
	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.
Reinsurance contracts held	Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which 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.

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 Foresters Financial's own non-performance risk.

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

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

- the CSM of any new contracts that are added to the group in the period;

- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
- changes in fulfillment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfillment cash flows exceed the carrying amount of the CSM, in which case the excess is recognized as a loss in 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 fulfillment cash flows 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. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable;
- differences between any loan to a certificate holder (policyholder) expected to become repayable in the period and the actual loan to a certificate holder that becomes repayable in the period. Those differences are determined by comparing (i) the actual loan to a certificate holder that becomes repayable in the period with (ii) the repayment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and
- changes in the risk adjustment for non-financial risk that relate to future services.

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

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

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

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 fulfillment cash flows that do not vary based on the returns of underlying items
    - Changes in the fulfillment cash flows 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 the group of reinsurance contracts held and any cash flows arising at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group, then 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 disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

i) Insurance revenue

As 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 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.
  - Restatement and other changes
- 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 on a discounted basis using the IFRS17 group locked-in rate 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 the maximum of death benefit and maturity benefit per contract.

j) Insurance service expense

Insurance service expenses include the following:

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

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

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:

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

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

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 Intangible assets

a) Recognition and measurement

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, customer relationships and computer software.

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**
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

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 and unit linked related 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 relate to 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) Insurance contract liabilities for segregated funds

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

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) as part of the core profit and loss.

Like segregated funds, assets supporting unit-linked investment contracts are managed 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 the consolidated statement of comprehensive income (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 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 Foresters Financial, 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.

1.17 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.

1.18 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

2.1 New and Amended International Financial Reporting Standards Adopted in 2024

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

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

a) IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments clarify the timing of derecognition of financial liabilities and introduces an accounting policy option to derecognize a financial liability settled through electronic transfer before the settlement date if specific criteria are met. The amendments additionally clarify the classification of financial assets with environmental, social, and corporate governance, and also require additional disclosures for certain financial instruments. The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. The amendments are to be applied retrospectively.

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

For the year ended December 31, 2024 (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:

	2024				
	FVTPL		Amortized cost	Total carrying amount	Total fair value
	Mandatory	Designated			
	$	$	$	$	$
Cash and cash equivalents	226,635	—	—	226,635	226,635
Short-term securities	108,384	—	—	108,384	108,384
Bonds	—	6,037,269	—	6,037,269	6,037,269
Equities	988,713	—	—	988,713	988,713
Mortgages	—	243,548	—	243,548	243,548
Derivatives	34	—	—	34	34
Other invested assets	294,372	—	—	294,372	294,372
Total financial assets	1,618,138	6,280,817	—	7,898,955	7,898,955
Net investments for accounts of segregated fund and unit linked contract holders	9,267,923	—	—	9,267,923	9,267,923
Subordinated debt	—	—	248,558	248,558	248,558
Lease liabilities	—	—	15,847	15,847	15,847
Other liabilities	52,533	—	220,744	273,277	273,277
Investment contract liabilities - excluding segregated fund net liabilities	—	—	28,275	28,275	28,275
Investment contract liabilities - Segregated funds net liabilities and unit holders linked liabilities	—	9,193,336	—	—	9,193,336
Total financial liabilities	52,533	9,193,336	513,424	565,957	9,759,293

	2023				
	FVTPL		Amortized cost	Total carrying amount	Total fair value
	Mandatory	Designated			
	$	$	$	$	$
Cash and cash equivalents	163,708	—	—	163,708	163,708
Short-term securities	82,311	—	—	82,311	82,311
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
Subordinated debt	—	—	248,326	248,326	248,326
Lease liabilities	—	—	17,358	17,358	17,358
Other liabilities	26,017	—	192,385	218,402	218,402
Investment contract liabilities - excluding segregated fund net liabilities	—	—	28,497	28,497	28,497
Investment contract liabilities - Segregated funds net liabilities and unit holders linked liabilities	—	8,279,695	—	8,279,695	8,279,695
Total financial liabilities	26,017	8,279,695	486,566	8,792,278	8,792,278

For the year ended December 31, 2024 (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:

	2024	2023
	$	$
Cash, cash equivalents and short-term securities	15,877	13,150
Bonds	295,678	296,885
Equities	289,747	311,066

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

	2024	2023
Financial assets		
Measured at fair value	$ 5,952,749	$ 5,465,726
Derivative liabilities	$ (37,787)	$ (28,195)

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 based on the net asset value of the investment where Foresters Financial is a limited partner.

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, 2024 (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, 2024				
Financial assets at FVTPL				
Cash, cash equivalents, short-term securities	180,675	154,344	—	335,019
Bonds				
Government	—	1,787,106	—	1,787,106
Corporate	221,039	4,029,124	—	4,250,163
Equity securities	289,897	698,816	—	988,713
Mortgages	—	243,548	—	243,548
Derivative assets	—	34	—	34
Other invested assets	—	242,027	52,345	294,372
	691,611	7,154,999	52,345	7,898,955
Net investments for accounts of segregated fund and unit linked contract holders	8,712,375	555,548	—	9,267,923
Derivative liabilities	—	52,533	—	52,533
Investment contract liabilities - Segregated fund net liabilities	8,667,084	526,252	—	9,193,336

	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				
Government	—	1,896,438	—	1,896,438
Corporate	207,221	3,176,438	422,679	3,806,338
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
	611,045	5,899,182	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 - Segregated fund net liabilities	7,774,526	505,169	—	8,279,695

There were no material transfers between Levels 1 and 2 during both years. For transfers out of Level 3 see note 3.2(c).

For the year ended December 31, 2024 (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:

	2024	2023
Change in fair value attributable to changes in credit risk during the year	$ 7,769	$ 14,602

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 the consolidated statement of comprehensive income (loss) during the year.

2024		
	FVTPL	
	Bonds and mortgages	**Other invested assets**
	$	**$**
Balance, beginning of year	608,394	257,850
Changes during the year:		
Purchases	50,627	7,313
Sales and redemptions	(29,334)	(8,891)
Total gains (losses)	11,410	646
Transfers into Level 3	—	—
Transfers out of Level 3	(641,097)	(204,573)
Effect of movements in exchange rates	—	—
Balance, end of year	—	52,345
Total gains (losses) recognized in profit or loss		
Net investment income excluding result of segregated funds	11,410	646
Total gains (losses) recognized in profit or loss for assets and liabilities held at reporting date		
Net investment income excluding result of segregated funds	11,290	646

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

	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		
Net investment income excluding result of segregated funds	(10,923)	(8,057)
Total gains (losses) recognized in profit or loss for assets and liabilities held at reporting date		
Net investment income excluding result of segregated funds	(8,367)	(10,899)

Transfers from Level 3 to Level 2 of $845,670 occurred during the year ended December 31, 2024 (2023: $nil). Transfers out of Level 3 are the results of unobservable assumptions not being considered to be significant to the assets valuation at the reporting date, thus satisfying the criteria for Level 2.

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 underlying funds at December 31:

	2024		2023	
	1% increase	1% decrease	1% increase	1% decrease
FVTPL assets:	$	$	$	$
Interest rate	(237)	237	(38,721)	38,721
Real estate capitalization rates	(1,072)	1,662	(13,744)	21,424
Global infrastructure index	—	—	(10,322)	10,322

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, 2024 and 2023. At December 31, 2024, the largest single counterparty exposure was $417 (2023: $2,130).

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 2024 or 2023 against a net asset of $34 (2023: $6,193). 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, 2024, Foresters Financial posted collateral with an estimated market value of $46,867 (2023: $22,397) against a net liability of $44,104 (2023: net liability of $26,018). Foresters Financial and the counterparties have the right to sell, pledge, invest, or use any posted collateral. During 2024 and 2023, 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, 2024 (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, 2024							
Foreign exchange forward contracts	322,770	149,150	340,500	812,420	451	(52,950)	(52,499)
	322,770	149,150	340,500	812,420	451	(52,950)	(52,499)
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)

	Gross amounts of financial instruments	Amounts subject to master netting agreement or ability to execute offsetting trades	Financial collateral pledged	Net amounts
As at December 31, 2024				
Financial assets				
Derivative assets	34	(34)	—	—
Total financial assets	34	(34)	—	—
Financial liabilities				
Derivative liabilities	(52,533)	44,104	46,867	2,763
Total financial liabilities	(52,533)	44,104	46,867	2,763
As at December 31, 2023				
Financial assets				
Derivative assets	6,193	(6,193)	—	—
Total financial assets	6,193	(6,193)	—	—
Financial liabilities				
Derivative liabilities	(26,018)	26,018	22,397	(3,621)
Total financial liabilities	(26,018)	26,018	22,397	(3,621)

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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

3.4 Net financial result

a) Net investment income and insurance finance expenses by geography

	2024		
	NAI	**UKSIP**	**Total**
Investment return			
Net investment income (loss) excluding result of segregated funds	193,585	34,479	228,064
Net investment income (loss) related to segregated funds net assets	11,066	783,350	794,416
Financial changes related to segregated funds net liability	(11,066)	(783,350)	(794,416)
Total investment return	**193,585**	**34,479**	**228,064**
Net finance expenses from insurance contracts			
Changes in fair value of underlying items of direct participating contracts	—	(39,955)	(39,955)
Interest accreted	(260,021)	(1,051)	(261,072)
Effect of changes in interest rates and other financial assumptions	285,502	1,270	286,772
Total net finance expenses from insurance contracts	**25,481**	**(39,736)**	**(14,255)**
Net finance income from reinsurance contracts held			
Interest accreted	43,606	91	43,697
Effect of changes in interest rates and other financial assumptions	(68,470)	4	(68,466)
Total net finance income from reinsurance contracts	**(24,864)**	**95**	**(24,769)**
Movement in investment contract liabilities	(785)	—	(785)
Net financial result	**193,417**	**(5,162)**	**188,255**

	2023		
	NAI	**UKSIP**	**Total**
Investment return			
Net investment income (loss) excluding result of segregated funds	520,937	42,478	563,415
Net investment income (loss) related to segregated funds net assets	7,601	638,964	646,565
Financial changes related to segregated funds net liability	(7,601)	(638,964)	(646,565)
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
Effect of changes in interest rates and other financial assumptions	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**

For the year ended December 31, 2024 (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:

	2024			2023		
	FVTPL	**Other**	**Total**	**FVTPL**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Interest from:						
Cash, cash equivalents and short-term securities	9,085	—	9,085	6,914	—	6,914
Bonds	253,623	—	253,623	231,758	—	231,758
Mortgages	10,994	—	10,994	8,740	—	8,740
Loans to certificate holders	—	18,001	18,001		16,599	16,599
	273,702	18,001	291,703	247,412	16,599	264,011
Dividends from:						
Equities	7,078	—	7,078	7,558	—	7,558
Other invested assets	21,897	—	21,897	22,074	—	22,074
Less: Investment expenses	(19,453)	—	(19,453)	(17,929)	—	(17,929)
Net interest and dividends	283,224	18,001	301,225	259,115	16,599	275,714

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

	2024	2023
	FVTPL	**FVTPL**
	$	**$**
Bonds	(1,912)	(156,785)
Equities	53,785	21,137
Derivatives	(24,242)	(23)
Other invested assets	666	2,842
Net realized gains (losses)	28,297	(132,829)

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

	2024	2023
	$	**$**
Bonds	(132,221)	357,124
Equities	62,997	56,245
Mortgages	(2,757)	(609)
Derivatives	(29,875)	15,813
Other invested assets	(1,140)	(6,354)
Net change in unrealized gains (losses) on FVTPL instruments	(102,996)	422,219

The net foreign currency gains (losses) on FVTPL assets, recognized in net investment income (loss) in 2024 was $1,538 (2023: $(1,689)).

For the year ended December 31, 2024 (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 and by the fair value hierarchy:

	2024			2023		
	Level 1	**Level 2**	**Total**	**Level 1**	**Level 2**	**Total**
Cash and cash equivalents	60,915	—	60,915	56,954	—	56,954
Short term securities	—	3,391	3,391	—	3,660	3,660
Bonds	—	537,258	537,258	25,590	491,534	517,124
Equities	8,541,272	—	8,541,272	7,675,384	—	7,675,384
Other assets net of liabilities	128,387	—	128,387	103,049	—	103,049
Total net assets	8,730,574	540,649	9,271,223	7,860,977	495,194	8,356,171
Less: segregated fund seed money investment	(3,300)	—	(3,300)	(2,882)	—	(2,882)
Segregated fund net assets	8,727,274	540,649	9,267,923	7,858,095	495,194	8,353,289

b) Movement in segregated fund net assets

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

	2024 $	2023 $
Balance, beginning of year	8,353,289	7,807,907
Additions to the accounts of the unit holders:		
Deposits received from unit holders	1,110,293	884,136
Investment income	8,783	1,904
Net realized gains on sale of investments	471,828	316,222
Net change in unrealized gains on investments	439,334	443,755
	2,030,238	1,646,017
Deductions to the accounts of the unit holders:		
Amounts withdrawn or transferred by unit holders	1,554,002	1,211,340
Management fees and other operating costs	123,177	115,316
	1,677,179	1,326,656
Less: (Income) Losses on segregated fund seed money investment	418	195
Effect of change in foreign exchange rates	561,157	225,826
Balance, end of year	9,267,923	8,353,289

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. Additionally risk mitigation occurs through an equal offset of insurance contracts to investment contract liabilities for a nil impact for net income. Investment returns on these products belong to the 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, 2024 (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:

	2024		2023	
	NAI	UKSIP	NAI	UKSIP
	$	$	$	$
Insurance contracts issued				
Insurance contract liabilities	5,823,913	616,768	5,288,336	619,587
Segregated funds liabilities	74,587	—	73,594	—
Less: Insurance contract assets	(12,444)	—	(8,013)	—
	5,886,056	616,768	5,353,917	619,587
Reinsurance contracts held				
Reinsurance contract assets	921,920	4,117	800,699	15,707
Reinsurance contract liabilities	(2)	—	(2)	—
	921,918	4,117	800,697	15,707

	2024		2023	
	NAI	UKSIP	NAI	UKSIP
	$	$	$	$
Insurance contracts issued				
Insurance revenue				
Contracts measured under fair value approach at transition	663,443	15,759	692,792	20,385
Other Contracts	228,895	2,207	189,793	—
	892,338	17,966	882,585	20,385
CSM				
Contracts measured under fair value approach at transition	382,871	22,628	391,476	13,997
Other Contracts	24,837	557	26,338	581
	407,708	23,185	417,814	14,578
Reinsurance Contracts Held				
CSM				
Contracts measured under fair value approach at transition	(118,102)	5,988	(106,842)	3,470
Other Contracts	(70,064)	—	(65,214)	—
	(188,166)	5,988	(172,056)	3,470

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

NAI	2024 Insurance Contract Liabilities	2024 Insurance Contract Assets	2024 Seg Fund Net Fund Value	2023 Insurance Contract Liabilities	2023 Insurance Contract Assets	2023 Seg Fund Net Fund Value
Accident and Sickness	15,513	(12,444)	—	15,249	(8,013)	—
Annuity	166,721	—	—	176,009	—	—
Non Participating	2,246,427	—	—	1,861,172	—	—
Participating	1,834,734	—	—	1,729,059	—	—
Seg Fund	2	—	74,587	27	—	73,594
Universal Life	1,198,748	—	—	1,122,364	—	—
Group Annuity	357,617	—	—	380,350	—	—
Other	4,152	—	—	4,107	—	—
Total	5,823,913	(12,444)	74,587	5,288,336	(8,013)	73,594

NAI	2024 Reinsurance Contract Liabilities	2024 Reinsurance Contract Assets	2023 Reinsurance Contract Liabilities	2023 Reinsurance Contract Assets
Accident and Sickness	—	12,541	—	11,050
Non Participating	—	799,860	—	693,944
Participating	—	43,095	—	33,322
Universal Life	—	61,355	—	57,460
Group Annuity	—	5,065	—	4,919
Other	(2)	4	(2)	4
Total	(2)	921,920	(2)	800,699

UKSIP	2024 Insurance Contract Liabilities	2024 Insurance Contract Assets	2023 Insurance Contract Liabilities	2023 Insurance Contract Assets
Critical Illness	2,990	—	2,495	—
Long Term Disability	9,639	—	12,015	—
Longevity	77,571	—	74,553	—
Payout Annuities	31,284	—	39,796	—
Term Life	20,419	—	18,931	—
Whole life/Endowment	474,865	—	471,797	—
Total	616,768	—	619,587	—

For UKSIP reinsurance, refer to tables above.

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 expected exposure to insurance risk from these assets.

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

a) NAI

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

	2024				2023			
	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	(16,037)	6,690	1,334	(8,013)	(10,482)	1,624	703	(8,155)
Opening 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 opening insurance contract balances	4,559,865	410,789	309,642	5,280,296	4,361,635	255,799	323,634	4,941,068
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(663,418)	—	—	(663,418)	(692,797)	—	—	(692,797)
Other contracts	(228,895)	—	—	(228,895)	(189,793)	—	—	(189,793)
Insurance revenue	(892,313)	—	—	(892,313)	(882,590)	—	—	(882,590)
Incurred claims and other insurance service expenses	—	(30,184)	623,069	592,885	—	(19,400)	613,552	594,152
Amortization of insurance acquisition cash flows	109,201	—	—	109,201	86,858	—	—	86,858
Losses and reversal of losses on onerous contracts	—	465,266	—	465,266	—	176,975	—	176,975
Adjustments to liabilities for incurred claims	—	—	(3,343)	(3,343)	—	—	(3,219)	(3,219)
Insurance service expenses	109,201	435,082	619,726	1,164,009	86,858	157,575	610,333	854,766
Investment components	(427,381)	—	427,381	—	(389,224)	—	389,224	—
Insurance service result	(1,210,493)	435,082	1,047,107	271,696	(1,184,956)	157,575	999,557	(27,824)
Net finance (income) expenses from insurance contracts	(39,183)	13,419	283	(25,481)	417,427	2,186	2,533	422,146
Effect of movements in exchange rates	249,725	28,651	15,714	294,090	(69,044)	(4,771)	(4,671)	(78,486)
Total changes in the statement of comprehensive income (loss) and OCI	(999,951)	477,152	1,063,104	540,305	(836,573)	154,990	997,419	315,836
Cash flows								
Premiums received	1,324,883	—	—	1,324,883	1,296,612	—	—	1,296,612
Claims, benefits and other expenses paid	—	—	(1,069,263)	(1,069,263)	—	—	(1,011,411)	(1,011,411)
Insurance acquisition cash flows	(264,754)	—	—	(264,754)	(261,809)	—	—	(261,809)
Total cash flows	1,060,129	—	(1,069,263)	(9,134)	1,034,803	—	(1,011,411)	23,392
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—
Net ending insurance contract balances	4,620,043	887,941	303,483	5,811,467	4,559,865	410,789	309,642	5,280,296
End of Period								
Ending balance insurance contract assets	(22,465)	9,813	208	(12,444)	(16,037)	6,690	1,334	(8,013)
Ending balance insurance contract liabilities	4,642,508	878,128	303,275	5,823,911	4,575,902	404,099	308,308	5,288,309
Net ending insurance contract balances	4,620,043	887,941	303,483	5,811,467	4,559,865	410,789	309,642	5,280,296

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

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

	2024				2023			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	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	27	—	—	27	22	—	—	22
Opening balance insurance contract liabilities - Segregated funds net liabilities	73,594	—	—	73,594	73,131	—	—	73,131
Net opening insurance contract balances	73,621	—	—	73,621	73,153	—	—	73,153
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(25)	—	—	(25)	5	—	—	5
Other contracts	—	—	—	—	—	—	—	—
Insurance revenue	(25)	—	—	(25)	5	—	—	5
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	(25)	—	—	(25)	5	—	—	5
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	—	—	—	—	—
Total changes in the statement of comprehensive income (loss) and OCI	(25)	—	—	(25)	5	—	—	5
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	993	—	—	993	463	—	—	463
Ending insurance contract liabilities balances	74,589	—	—	74,589	73,621	—	—	73,621
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities - Segregated funds guarantees	2	—	—	2	27	—	—	27
Ending balance insurance contract liabilities - Segregated funds net liabilities	74,587	—	—	74,587	73,594	—	—	73,594
Ending insurance contract liabilities balances	74,589	—	—	74,589	73,621	—	—	73,621

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

iii. Analysis by measurement component - Non segregated funds

	2024					2023				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	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	(15,780)	7,590	—	177	(8,013)	(15,278)	6,620	—	503	(8,155)
Opening 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 opening 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
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(41,855)	(2,267)	(44,122)	—	—	(43,712)	(2,758)	(46,470)
Change in the risk adjustment for non-financial risk for risk expired	—	(98,384)	—	—	(98,384)	—	(98,294)	—	—	(98,294)
Experience adjustments and other changes	(47,723)	2	—	—	(47,721)	(53,727)	(3,089)	—	—	(56,816)
Current service provided in the period	(47,723)	(98,382)	(41,855)	(2,267)	(190,227)	(53,727)	(101,383)	(43,712)	(2,758)	(201,580)
Contracts initially recognized in the year	620	77,557	—	3,597	81,774	11,201	78,358	1	4,240	93,800
Changes in estimates that adjust the CSM	9,847	(8,900)	4,487	(5,433)	1	34,551	(444)	(23,308)	(10,799)	—
Changes in estimates that results in losses and reversals of losses on onerous contracts	325,668	57,823	—	—	383,491	157,706	(74,531)	—	—	83,175
Future service yet to be provided	336,135	126,480	4,487	(1,836)	465,266	203,458	3,383	(23,307)	(6,559)	176,975
Adjustments to liabilities for incurred claims	240	103	—	—	343	687	50	—	—	737
Experience adjustments not related to incurred claims	(3,468)	(218)	—	—	(3,686)	(3,692)	(264)	—	—	(3,956)
Past service provided in the prior periods	(3,228)	(115)	—	—	(3,343)	(3,005)	(214)	—	—	(3,219)
Insurance service result	285,184	27,983	(37,368)	(4,103)	271,696	146,726	(98,214)	(67,019)	(9,317)	(27,824)
Net finance (income) expenses from insurance contracts	(43,858)	8,070	9,231	1,076	(25,481)	317,345	93,876	9,666	1,259	422,146
Effect of movements in exchange rates	230,056	42,976	19,532	1,526	294,090	(61,374)	(11,074)	(5,488)	(550)	(78,486)
Total changes in the statement of comprehensive income (loss) and OCI	471,382	79,029	(8,605)	(1,501)	540,305	402,697	(15,412)	(62,841)	(8,608)	315,836
Cash flows										
Premiums received	1,324,883	—	—	—	1,324,883	1,296,612	—	—	—	1,296,612
Claims, benefits and other expenses paid	(1,069,263)	—	—	—	(1,069,263)	(1,011,411)	—	—	—	(1,011,411)
Insurance acquisition cash flows	(264,754)	—	—	—	(264,754)	(261,809)	—	—	—	(261,809)
Total cash flows	(9,134)	—	—	—	(9,134)	23,392	—	—	—	23,392
Other changes in the net carrying amount of the insurance contract liabilities	—	—	—	—	—	—	—	—	—	—
Net ending insurance contract balances	4,365,031	1,038,728	382,871	24,837	5,811,467	3,902,783	959,699	391,476	26,338	5,280,296
End of Period										
Ending balance insurance contract assets	(21,553)	8,276	372	461	(12,444)	(15,780)	7,590	—	177	(8,013)
Ending balance insurance contract liabilities	4,386,584	1,030,452	382,499	24,376	5,823,911	3,918,563	952,109	391,476	26,161	5,288,309
Net ending insurance contract balances	4,365,031	1,038,728	382,871	24,837	5,811,467	3,902,783	959,699	391,476	26,338	5,280,296

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

iv. Analysis by measurement component - Segregated funds

	2024					2023				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	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	27	—	—	—	27	22	—	—	—	22
Opening balance insurance contract liabilities - Segregated funds net liabilities	73,594	—	—	—	73,594	73,131	—	—	—	73,131
Net opening insurance contract balances	73,621	—	—	—	73,621	73,153	—	—	—	73,153
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	(25)	—	—	—	(25)	5	—	—	—	5
Current service provided in the period	(25)	—	—	—	(25)	5	—	—	—	5
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	(25)	—	—	—	(25)	5	—	—	—	5
Net finance (income) expenses from insurance contracts	—	—	—	—	—	—	—	—	—	—
Total changes in the statement of comprehensive income (loss) and OCI	(25)	—	—	—	(25)	5	—	—	—	5
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	993	—	—	—	993	463	—	—	—	463
Ending insurance contract liabilities balances	74,589	—	—	—	74,589	73,621	—	—	—	73,621
End of Period										
Ending balance insurance contract liabilities - Segregated funds guarantees	2	—	—	—	2	27	—	—	—	27
Ending balance insurance contract liabilities - Segregated funds net liabilities	74,587	—	—	—	74,587	73,594	—	—	—	73,594
Ending insurance contract liabilities balances	74,589	—	—	—	74,589	73,621	—	—	—	73,621

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

b) NAI Reinsurance

i. Analysis by remaining coverage and incurred claims

	2024				2023			
	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	614,363	123,052	63,284	800,699	509,241	77,039	51,452	637,732
Opening balance reinsurance contract held liabilities	(2)	—	—	(2)	(300)	300	(293)	(293)
Net opening reinsurance contract held balances	614,361	123,052	63,284	800,697	508,941	77,339	51,159	637,439
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(137,308)	—	—	(137,308)	(136,797)	—	—	(136,797)
Other contracts	(23,899)	—	—	(23,899)	(13,270)	—	—	(13,270)
Allocation of reinsurance premiums paid	(161,207)	—	—	(161,207)	(150,067)	—	—	(150,067)
Incurred claims recovered and other reinsurance service expenses	—	(22,717)	154,643	131,926	—	(14,683)	149,733	135,050
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	105,403	—	105,403	—	56,484	—	56,484
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
Amounts recoverable from reinsurers	—	82,686	154,643	237,329	—	41,801	149,733	191,534
Investment components	(4,795)	—	4,797	2	(9,175)	—	9,175	—
Net expenses from reinsurance contracts held	(166,002)	82,686	159,440	76,124	(159,242)	41,801	158,908	41,467
Net finance (income) expenses from reinsurance contracts held	(32,948)	8,084	—	(24,864)	71,354	5,455	—	76,809
Effect of movements in exchange rates	24,563	8,508	2,103	35,174	(6,237)	(1,543)	(751)	(8,531)
Total changes in the statement of comprehensive income (loss) and OCI	(174,387)	99,278	161,543	86,434	(94,125)	45,713	158,157	109,745
Cash flows								
Premiums paid	211,015	—	—	211,015	199,545	—	—	199,545
Amounts received	—	—	(176,228)	(176,228)	—	—	(146,032)	(146,032)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	211,015	—	(176,228)	34,787	199,545	—	(146,032)	53,513
Other changes in the net carrying amount of the reinsurance contract held	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	650,989	222,330	48,599	921,918	614,361	123,052	63,284	800,697
End of Period								
Ending balance reinsurance contract held assets	650,991	222,330	48,599	921,920	614,363	123,052	63,284	800,699
Ending balance reinsurance contract held liabilities	(2)	—	—	(2)	(2)	—	—	(2)
Net ending reinsurance contract held balances	650,989	222,330	48,599	921,918	614,361	123,052	63,284	800,697

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

ii. Analysis by measurement component

	2024					2023				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
BEGINNING OF PERIOD										
Opening 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
Opening balance reinsurance contract held liabilities	—	—	(2)	—	(2)	(248)	902	—	(947)	(293)
Net opening reinsurance contract held balances	638,018	334,735	(106,842)	(65,214)	800,697	488,460	336,930	(120,097)	(67,854)	637,439
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	13,033	6,334	19,367	—	—	11,739	6,289	18,028
Change in the risk adjustment for non-financial risk for risk expired	—	(23,908)	—	—	(23,908)	—	(22,259)	—	—	(22,259)
Experience adjustments and other changes	(24,742)	2	—	—	(24,740)	(10,788)	—	—	—	(10,788)
Current service provided in the period	(24,742)	(23,906)	13,033	6,334	(29,281)	(10,788)	(22,259)	11,739	6,289	(15,019)
Contracts initially recognized in the period	7,247	29,178	—	940	37,365	4,035	29,902	—	7,123	41,060
Changes in estimates that adjust the CSM	2,118	(6,503)	2,750	1,635	—	3,286	(6,564)	3,944	(666)	—
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	73,370	17,014	—	—	90,384	60,749	(35,484)	—	—	25,265
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	(13,500)	(8,844)	(22,344)	—	—	(836)	(9,003)	(9,839)
Future service yet to be provided	82,735	39,689	(10,750)	(6,269)	105,405	68,070	(12,146)	3,108	(2,546)	56,486
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Net expenses from reinsurance contracts held	57,993	15,783	2,283	65	76,124	57,282	(34,405)	14,847	3,743	41,467
Net finance (income) expenses from reinsurance contracts held	(21,236)	2,597	(4,119)	(2,106)	(24,864)	46,946	35,946	(4,183)	(1,900)	76,809
Effect of movements in exchange rates	32,584	14,823	(9,424)	(2,809)	35,174	(8,183)	(3,736)	2,591	797	(8,531)
Total changes in the statement of comprehensive income (loss) and OCI	69,341	33,203	(11,260)	(4,850)	86,434	96,045	(2,195)	13,255	2,640	109,745
Cash flows										
Premiums paid	211,015	—	—	—	211,015	199,545	—	—	—	199,545
Amounts received	(176,228)	—	—	—	(176,228)	(146,032)	—	—	—	(146,032)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	34,787	—	—	—	34,787	53,513	—	—	—	53,513
Net ending reinsurance contract held balances	742,146	367,938	(118,102)	(70,064)	921,918	638,018	334,735	(106,842)	(65,214)	800,697
END OF PERIOD										
Ending balance reinsurance contract held assets	742,146	367,938	(118,100)	(70,064)	921,920	638,018	334,735	(106,840)	(65,214)	800,699
Ending balance reinsurance contract held liabilities	—	—	(2)	—	(2)	—	—	(2)	—	(2)
Net ending reinsurance contract held balances	742,146	367,938	(118,102)	(70,064)	921,918	638,018	334,735	(106,842)	(65,214)	800,697

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

c) UKSIP

i. Analysis by remaining coverage and incurred claims

	2024				2023			
	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	557,505	1,752	60,330	619,587	564,533	1,349	62,566	628,448
Net opening insurance contract balances	557,505	1,752	60,330	619,587	564,533	1,349	62,566	628,448
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(15,759)	—	—	(15,759)	(20,385)	—	—	(20,385)
Other contracts	(2,207)	—	—	(2,207)	—	—	—	—
Insurance revenue	(17,966)	—	—	(17,966)	(20,385)	—	—	(20,385)
Incurred claims and other insurance service expenses	—	1,824	10,081	11,905	—	—	13,175	13,175
Amortization of insurance acquisition cash flows	(442)	—	—	(442)	163	—	—	163
Losses and reversal of losses on onerous contracts	—	401	—	401	—	240	—	240
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—
Insurance service expenses	(442)	2,225	10,081	11,864	163	240	13,175	13,578
Investment components	(81,385)	—	81,385	—	(80,056)	—	80,056	—
Insurance service result	(99,793)	2,225	91,466	(6,102)	(100,278)	240	93,231	(6,807)
Net finance (income) expenses from insurance contracts	11,035	28,701	—	39,736	53,663	—	—	53,663
Effect of movements in exchange rates	35,246	986	3,878	40,110	16,270	41	1,796	18,107
Total changes in the statement of comprehensive income (loss) and OCI	(53,512)	31,912	95,344	73,744	(30,345)	281	95,027	64,963
Cash flows								
Premiums received	21,150	—	—	21,150	22,917	—	—	22,917
Claims, benefits and other expenses paid	—	—	(92,540)	(92,540)	—	—	(97,262)	(97,262)
Insurance acquisition cash flows	(1,087)	—	—	(1,087)	(780)	—	—	(780)
Total cash flows	20,063	—	(92,540)	(72,477)	22,137	—	(97,262)	(75,125)
Other changes in the net carrying amount of the insurance contract liabilities	—	—	(4,086)	(4,086)	1,180	122	(1)	1,301
Net ending insurance contract balances	524,056	33,664	59,048	616,768	557,505	1,752	60,330	619,587
End of Period								
Ending balance insurance contract assets	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	524,056	33,664	59,048	616,768	557,505	1,752	60,330	619,587
Net ending insurance contract balances	524,056	33,664	59,048	616,768	557,505	1,752	60,330	619,587

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

ii. Analysis by measurement component

	2024					2023				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	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	601,671	3,338	13,997	581	619,587	613,056	3,161	12,089	142	628,448
Net opening insurance contract balances	601,671	3,338	13,997	581	619,587	613,056	3,161	12,089	142	628,448
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(708)	(11)	(719)	—	—	(2,267)	(37)	(2,304)
Change in the risk adjustment for non-financial risk for risk expired	—	(156)	—	—	(156)	—	(166)	—	—	(166)
Experience adjustments and other changes	(5,630)	—	—	—	(5,630)	652	—	—	—	652
Current service provided in the period	(5,630)	(156)	(708)	(11)	(6,505)	652	(166)	(2,267)	(37)	(1,818)
Contracts initially recognized in the year	(674)	98	—	577	1	(634)	67	—	579	12
Changes in estimates that adjust the CSM	(6,874)	(453)	8,001	(674)	—	(8,965)	352	3,512	(129)	(5,230)
Changes in estimates that results in losses and reversals of losses on onerous contracts	413	(11)	—	—	402	599	(370)	—	—	229
Future service yet to be provided	(7,135)	(366)	8,001	(97)	403	(9,000)	49	3,512	450	(4,989)
Adjustments to liabilities for incurred claims	—	—	—	—	—	—	—	—	—	—
Experience adjustments not related to incurred claims	—	—	—	—	—	—	—	—	—	—
Past service provided in the prior periods	—	—	—	—	—	—	—	—	—	—
Insurance service result	(12,765)	(522)	7,293	(108)	(6,102)	(8,348)	(117)	1,245	413	(6,807)
Net finance (income) expenses from insurance contracts	39,751	(255)	193	47	39,736	53,138	202	304	19	53,663
Effect of movements in exchange rates	38,727	201	1,145	37	40,110	17,649	92	359	7	18,107
Total changes in the statement of comprehensive income (loss) and OCI	65,713	(576)	8,631	(24)	73,744	62,439	177	1,908	439	64,963
Cash flows										
Premiums received	21,150	—	—	—	21,150	22,917	—	—	—	22,917
Claims, benefits and other expenses paid	(92,540)	—	—	—	(92,540)	(97,262)	—	—	—	(97,262)
Insurance acquisition cash flows	(1,087)	—	—	—	(1,087)	(780)	—	—	—	(780)
Total cash flows	(72,477)	—	—	—	(72,477)	(75,125)	—	—	—	(75,125)
Other changes in the net carrying amount of the insurance contract liabilities	(4,086)	—	—	—	(4,086)	1,301	—	—	—	1,301
Net ending insurance contract balances	590,821	2,762	22,628	557	616,768	601,671	3,338	13,997	581	619,587
End of Period										
Ending balance insurance contract assets	—	—	—	—	—	—	—	—	—	—
Ending balance insurance contract liabilities	590,821	2,762	22,628	557	616,768	601,671	3,338	13,997	581	619,587
Net ending insurance contract balances	590,821	2,762	22,628	557	616,768	601,671	3,338	13,997	581	619,587

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d) UKSIP Reinsurance

i. Analysis by remaining coverage and incurred claims

	2024				2023			
	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	15,705	3	(1)	15,707	15,410	—	(2)	15,408
Opening balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—
Net opening reinsurance contract held balances	15,705	3	(1)	15,707	15,410	—	(2)	15,408
Changes in the statement of comprehensive income (loss) and OCI								
Contracts under the fair value transition approach	(1,294)	—	—	(1,294)	(3,985)	—	—	(3,985)
Other contracts	—	—	—	—	—	—	—	—
Allocation of reinsurance premiums paid	(1,294)	—	—	(1,294)	(3,985)	—	—	(3,985)
Incurred claims recovered and other reinsurance service expenses	—	—	681	681	—	—	2,678	2,678
Amortization of reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Recovery of losses and reversal on recovery of losses	—	9	—	9	—	3	—	3
Adjustments to assets for incurred claims	—	—	—	—	—	—	—	—
Amounts recoverable from reinsurers	—	9	681	690	—	3	2,678	2,681
Investment components	18	—	(18)	—	—	—	—	—
Net expenses from reinsurance contracts held	(1,276)	9	663	(604)	(3,985)	3	2,678	(1,304)
Net finance (income) expenses from reinsurance contracts held	95	—	—	95	1,217	—	—	1,217
Effect of movements in exchange rates	786	1	(87)	700	447	—	—	447
Total changes in the statement of comprehensive income (loss) and OCI	(395)	10	576	191	(2,321)	3	2,678	360
Cash flows								
Premiums paid	2,594	—	—	2,594	2,616	—	—	2,616
Amounts received	—	—	(3,762)	(3,762)	—	—	(2,677)	(2,677)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—
Total cash flows	2,594	—	(3,762)	(1,168)	2,616	—	(2,677)	(61)
Other changes in the net carrying amount of the reinsurance contract held	(10,613)	—	—	(10,613)	—	—	—	—
Net ending reinsurance contract held balances	7,291	13	(3,187)	4,117	15,705	3	(1)	15,707
End of Period								
Ending balance reinsurance contract held assets	7,291	13	(3,187)	4,117	15,705	3	(1)	15,707
Ending balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	7,291	13	(3,187)	4,117	15,705	3	(1)	15,707

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ii. Analysis by measurement component

	2024					2023				
	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total	Estimates of present value of future cashflows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV approach	Other contracts				Contracts under FV approach	Other contracts	
BEGINNING OF PERIOD										
Opening balance reinsurance contract held assets	11,811	426	3,470	—	15,707	12,548	252	2,608	—	15,408
Opening balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—	—	—
Net opening reinsurance contract held balances	11,811	426	3,470	—	15,707	12,548	252	2,608	—	15,408
Changes in the statement of comprehensive income (loss) and OCI										
CSM recognized for services provided	—	—	(863)	—	(863)	—	—	(717)	—	(717)
Change in the risk adjustment for non-financial risk for risk expired	—	(37)	—	—	(37)	—	(32)	—	—	(32)
Experience adjustments and other changes	284	—	—	—	284	(559)	—	—	—	(559)
Current service provided in the period	284	(37)	(863)	—	(616)	(559)	(32)	(717)	—	(1,308)
Contracts initially recognized in the period	—	—	—	—	—	—	—	—	—	—
Changes in estimates that adjust the CSM	(2,970)	(81)	3,051	—	—	(1,207)	74	1,134	—	1
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	(3)	—	—	—	(3)	(301)	—	—	—	(301)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	15	—	15	—	—	304	—	304
Future service yet to be provided	(2,973)	(81)	3,066	—	12	(1,508)	74	1,438	—	4
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	(2,689)	(118)	2203	—	(604)	(2,067)	42	721	—	(1,304)
Net finance (income) expenses from reinsurance contracts held	103	(29)	21	—	95	1,032	123	62	—	1,217
Effect of movements in exchange rates	382	24	294	—	700	359	9	79	—	447
Total changes in the statement of comprehensive income (loss) and OCI	(2,204)	(123)	2,518	—	191	(676)	174	862	—	360
Cash flows										
Premiums paid	2,594	—	—	—	2,594	2,616	—	—	—	2,616
Amounts received	(3,762)	—	—	—	(3,762)	(2,677)	—	—	—	(2,677)
Reinsurance acquisition cash flows	—	—	—	—	—	—	—	—	—	—
Total cash flows	(1168)	—	—	—	(1168)	(61)	—	—	—	(61)
Other changes in the net carrying amount of the reinsurance contract held	(10,613)	—	—	—	(10,613)	—	—	—	—	—
Net ending reinsurance contract held balances	(2,174)	303	5,988	—	4,117	11,811	426	3,470	—	15,707
END OF PERIOD										
Ending balance reinsurance contract held assets	(2,174)	303	5,988	—	4,117	11,811	426	3,470	—	15,707
Ending balance reinsurance contract held liabilities	—	—	—	—	—	—	—	—	—	—
Net ending reinsurance contract held balances	(2,174)	303	5,988	—	4,117	11,811	426	3,470	—	15,707

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

e) NAI Insurance Revenue

Insurance Revenue	**2024**	**2023**
CSM recognized for services provided	44,121	46,470
Change in risk adjustment for non-financial risk for risk expired	91,469	92,115
Expected insurance service expenses incurred:	**650,044**	**630,391**
Claims	535,394	513,721
Expenses	114,650	116,670
Recovery of insurance acquisition cash flows	109,201	86,858
Other Changes	(2,497)	26,751
Total Revenue from Contracts Not Measured Under PAA	**892,338**	**882,585**

f) UKSIP Insurance Revenue

Insurance Revenue	**2024**	**2023**
CSM recognized for services provided	719	2,304
Change in risk adjustment for non-financial risk for risk expired	227	166
Expected insurance service expenses incurred:	**17,648**	**12,671**
Claims	11,720	11,176
Expenses	1,440	1,495
Other expenses under the VFA	4,488	—
Recovery of insurance acquisition cash flows	(442)	163
Other Changes	(186)	5,081
Total Revenue from Contracts Not Measured Under PAA	**17,966**	**20,385**

For the year ended December 31, 2024 (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

	2024			2023		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	14,132	252,751	266,883	13,124	250,399	263,523
Claims and other insurance service expenses payable	30,389	538,772	569,161	28,274	507,980	536,254
Estimates of present value of cash outflows	44,521	791,523	836,044	41,398	758,379	799,777
Estimates of present value of cash inflows	(52,366)	(783,059)	(835,425)	(49,719)	(738,858)	(788,577)
Risk adjustment for non-financial risk	4,248	73,309	77,557	4,080	74,279	78,359
CSM	3,597	—	3,597	4,241	—	4,241
Losses recognized on initial recognition	—	81,773	81,773	—	93,800	93,800

ii. Reinsurance contracts held

	2024			2023		
	Contracts initiated without Loss recovery Component	Contracts initiated with Loss recovery Component	Total	Contracts initiated without Loss recovery Component	Contracts initiated with Loss recovery Component	Total
Estimates of present value of cash inflows	(7,131)	(218,673)	(225,804)	(6,713)	(195,783)	(202,496)
Estimates of present value of cash outflows	7,247	211,310	218,557	7,052	191,410	198,462
Risk adjustment for non-financial risk	(931)	(28,248)	(29,179)	(981)	(28,921)	(29,902)
Loss recovery related to losses on underlying insurance contracts at initial recognition	—	37,366	37,366	—	41,059	41,059
Contractual Service Margin	(815)	1,755	940	(642)	7,765	7,123

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

b) UKSIP

i. Insurance contracts

	2024			2023		
	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Insurance acquisition cash flows	222	6	228	292	65	357
Claims and other insurance service expenses payable	964	24	988	2,259	760	3,019
Estimates of present value of cash outflows	1,186	30	1,216	2,551	825	3,376
Estimates of present value of cash inflows	(1,878)	(31)	(1,909)	(3,971)	(970)	(4,941)
Risk adjustment for non-financial risk	98	3	101	70	166	236
CSM	594	—	594	1,350	—	1,350
Losses recognized on initial recognition	—	2	2	—	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
2024						
Insurance contracts						
NAI	41,113	36,886	89,901	99,015	140,793	407,708
UKSIP	3,182	2,833	6,413	5,693	5,064	23,185
	44,295	39,719	96,314	104,708	145,857	430,893
Reinsurance contracts held						
NAI	18,620	17,168	44,001	51,042	57,333	188,164
UKSIP	(1,096)	(927)	(1,934)	(1,331)	(700)	(5,988)
	17,524	16,241	42,067	49,711	56,633	182,176
2023						
Insurance contracts						
NAI	41,681	37,420	91,485	101,802	145,425	417,813
UKSIP	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
UKSIP	(635)	(521)	(1,045)	(751)	(518)	(3,470)
	15,368	14,289	37,166	44,881	56,884	168,588

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, age, underwriting class, policy type and geographic market. Morbidity relates to the occurrence of accidents and sickness for insured risks. Morbidity is a key assumption for long-term care insurance, disability insurance, critical illness and other forms of health benefits. Morbidity assumptions are established for each type of morbidity risk and geographic market.

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

Mortality is one of the key assumptions in the measurement of life insurance products 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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

NAI

2024	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 206%	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	110%	
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 140% to 185%	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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

UKSIP

2024	Mortality projections model	Mortality table used and assumptions	Adjustments for long term mortality improvements
Protection	Experience Study	Non-Smoker : 115% of TMNL08 / TFNL08 Smoker : 115% 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 CMI2023_M_K7.25/	N/A
Whole of Life, Extended Coverage, MIB	Experience Study	70% of AMC00 / AFC00	N/A

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	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 for most products 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, 2024 (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:

	2024				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
CA NonPar					
A&S				3%	3%
Non-Divideded-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				2%- 4%	2%- 4%
Non-Divideded-Paying Premium-Paying				4%	4%
Bright Future	18%-22%	7%-12%	2%-5%	1%-3%	1%-3%
PlanRight					
PR Non-Level	22-30%	8%	8%	8%	8%
PR Level	17%-28%	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 25% to 85%	1.5% -3%, after renewal 25% - 85%	1.5% -3%, after renewal 25% - 85%
FUW All Terms	5%-15%	4%-7%	1.5%-4.5% with renewal 45% to 95%	1.5%-4.5% with renewal 45% to 95%	1.5%-3% with renewal 45% to 95%
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%-20%	9%-12%	4%	4%
Dividend PaidUp	2%	2%	2%	2%	2%
Your Legacy	1%	1%	1%	1%	1%
Advantage Plus					
SI	19% -25%	3% -12%	3%-4%	1% - 3%	1%-2%

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

2011&2017 FUW 20-Pay Life	5% - 12%	4% - 7%	3% -4%	3% -4%	1% - 2%
US UL					
Forester Passoport	7%	2%	2%	2%	2%
BIG & Armor	16%- 30%	5% - 9%	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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

2023					
	1 year	5 years	10 years	15 years	20 years
CA NonPar					
A&S				3%	3%
Non-Dividened-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-Dividened-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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

UKSIP

	2024				
	1 year	**5 years**	**10 years**	**15 years**	**20 years**
Unit Linked Protection	2%	2%	2%	2%	2%
Lifestyle Protection	8%	5%	5%	5%	5%
Mortgage Protection	6%	9%	9%	9%	9%
Monthly Income Benefit	4%	4%	4%	4%	4%
Whole of Life	—%	—%	—%	—%	—%
Forester Universal Life	7%	7%	7%	7%	7%

	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%
Monthly Income Benefit	4%	4%	4%	4%	4%
Whole of Life	—%	—%	—%	—%	—%
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 portfolio of contracts including an allocation of fixed and variable overheads. Where asset management services are provided for the insurance operational segments as part of contractual arrangements with policyholders, 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 2024. Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM.

ii. Discount rates

Foresters Financial applied the bottom-up approach for both the North American and the UK business. This approach was used to derive the discount rate for the cash flows that do not vary based on the returns of the underlying item. Under this approach the discount rate is determined using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are generally determined by an underlying asset reference portfolio. The asset portfolio used to determine the risk free rate curves comprised of federal government bonds with an observable period of 30 years in Canada and the US. The illiquidity premium in the observable period was determined using a hybrid approach with the use of a reference portfolio of assets representing the liquidity characteristics of the three liquidity buckets of products (high, medium and low). The reference portfolio comprised of various types of fixed income assets, including provincials, corporates, private placements and mortgage loans where applicable. The credit spread for each of these reference portfolios was determined based on published corporate bond rates and spread available by jurisdiction and quality and based on similar assets held for each of these three types of products. A ratio was then applied to the credit spread.

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

As noted previously the observable period used in the bottom-up approach was estimated to be 30 years. For the unobservable period (after 30 years), the yield curve was interpolated between an ultimate rate and last observable point based on a number of working assumptions derived by Foresters Financial.

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 similarly adjusted by an illiquidity premium. Illiquidity premiums are generally determined with reference to appropriate credit spread indices.

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

2024	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [Low]							
CAD	3.71 %	3.91 %	4.49 %	4.67 %	4.89 %	4.83 %	4.78 %
GBP	4.73 %	4.35 %	4.31 %	4.47 %	4.57 %	4.57 %	4.52 %
USD	5.02 %	5.27 %	5.67 %	5.91 %	6.18 %	6.11 %	6.04 %
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 %

2024	**1 year**	**5 year**	**10 year**	**15 years**	**20 years**	**25 years**	**30 years**
Product [Medium]							
CAD	3.46 %	3.66 %	4.24 %	4.42 %	4.64 %	4.58 %	4.53 %
GBP	4.59 %	4.21 %	4.18 %	4.34 %	4.43 %	4.44 %	4.38 %
USD	4.77 %	5.02 %	5.42 %	5.66 %	5.93 %	5.86 %	5.79 %
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 %

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

2024	1 year	5 year	10 year	15 years	20 years	25 years	30 years
Product [High]							
CAD	2.98 %	3.17 %	3.81 %	4.01 %	4.25 %	4.18 %	4.12 %
GBP	4.46 %	4.08 %	4.04 %	4.20 %	4.30 %	4.30 %	4.25 %
USD	4.32 %	4.55 %	4.96 %	5.22 %	5.53 %	5.48 %	5.44 %
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 %

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:

2024	1 year	5 year	10 year	15 years	20 years	25 years	30 years
Product [Par]							
CA Branch	5.16 %	5.11 %	5.44 %	5.23 %	5.28 %	5.10 %	5.12 %
US Branch	4.50 %	5.02 %	6.03 %	6.50 %	6.80 %	5.69 %	5.60 %
FLIC	4.85 %	4.75 %	5.10 %	4.86 %	5.06 %	4.81 %	4.83 %
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 %

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. 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% (2023: 3%). The disclosed confidence level is on a consolidation basis and net of reinsurance. For the year ended 2024, the confidence level for the risk adjustment is 78.7%. For the year ended 2023, the confidence level for the risk adjustment is 79.8%.

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 and investment return service benefits provided and its expected coverage duration. The coverage units are reviewed and updated each reporting date.

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

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. More specifically, the contract service margin is released into income, when insurance contract services are provided, by using coverage units. Coverage units represent the quantity of service (insurance coverage, investment return and investment related services) provided and are determined by considering the benefit provided under the contract and its expected duration. When the relative size of the investment related service coverage or investment return service coverage unit is disproportionate compared to the insurance service coverage unit, or vice-versa, Foresters Financial must determine a relative weighting of the services to reflect the delivery of those services.

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.

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

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

d. Changes in actuarial methods and assumptions

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

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

NAI	2024	2023
	$	$
1. Mortality Assumption	115,529	51,736
2. Lapse Assumption	29,788	—
3. Selective Lapse Assumption	105,914	—
4. Dividend Review	(3,336)	(7,323)
5. Unit Cost Review	(2,736)	35,950
6. Economic Assumptions Review	(19,084)	16,423
7. Model updates	(4,240)	(36,562)
	221,835	60,224

UKSIP	2024	2023
	$	$
1. Mortality and Morbidity Assumption	(1,284)	(958)
2. Lapse Assumption	(23)	(25)
3. Unit Cost Review	(442)	(413)
4. Other	353	30
	(1,396)	(1,367)

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

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:

	2024 $	2023 $
Balance, beginning of year	28,497	30,077
Deposits received during the year	1,225	1,166
Surrenders and withdrawals	(3,522)	(3,598)
Interest credited and other	770	861
Effect of change in foreign exchange rates	1,304	(9)
Balance, end of year	**28,275**	**28,497**

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 and a Risk Appetite Framework in place to manage these risks, which are approved by the Board periodically as appropriate. Other policies, such as Investment Policy and Product Management Policy, are indirectly part of the risk management framework. 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 and capital position from events that have the potential to impair its financial strength and fulfilling the obligation to policyholders.

Foresters Financial's Risk Management Policy sets out the policy and control framework for the identification, measurement, treatment, monitoring, and reporting 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 capital requirements, liquidity, credit and other measures.

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 contracts held. 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 asset-related 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.

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

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. 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.

Foresters Financial's maximum credit exposure was as follows:

	2024 $	2023 $
Cash, cash equivalents and short-term securities	335,019	246,019
Bonds	6,037,269	5,702,776
Mortgages	243,548	185,715
Derivative financial assets	34	6,193
Other invested assets	294,372	329,648
Accrued investment income	63,078	55,115
Mortgage vendor take back	27,274	27,274
Insurance contract assets	12,444	—
Reinsurance contract held assets	926,037	816,406
Accounts receivable and finance lease receivable	28,513	30,776
Maximum exposure to credit risk	7,967,588	7,399,922

c) Credit quality summary

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

	2024	2023
Bonds and commercial mortgage loans	$	$
Based on Credit Ratings used in LICAT Reporting		
AAA	1,158,033	1,451,533
AA- to AA+	1,375,221	1,125,276
A- to A+	2,021,174	1,823,599
BBB+ and lower	1,726,389	1,488,083
Reinsurance contracts held		
Based on Credit Ratings used in LICAT Reporting		
AA- to AA+	221,070	189,759
A- to A+	704,967	625,782
BBB+ and lower	—	865

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 2% of total assets for BBB (or lower) rated companies. Segment specific guidelines further restrict Foresters Financial investments in a single issuer.

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.

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

	2024 $	2023 $
Bonds issued or guaranteed by:		
U.S treasury and other U.S agencies	1,115,503	1,222,576
Canadian federal government	154,640	366,405
Canadian provincial and municipal government	576,435	337,850
UK government	126,714	135,601
Other foreign governments	34,853	41,227
Total government bonds	2,008,145	2,103,659
Concentration by industry sector		
Financial	1,433,213	1,269,231
Industrial	435,289	400,248
Utilities	709,214	593,343
Energy	247,202	224,671
Consumer Staples	176,316	157,273
Consumer	147,972	136,120
Communications	227,411	209,818
Technology	80,587	72,779
Health Care	455,393	441,949
Basic materials	90,278	74,043
Other	26,249	19,642
Total corporate bonds	4,029,124	3,599,117
Concentration by issuer		
United States	3,883,163	3,762,758
Canada	1,593,190	1,448,346
U.K.	236,542	221,907
Other	324,374	269,765
	6,037,269	5,702,776

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 appetite for market risk and delegates responsibility for overseeing the implementation of the risk management 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 the year ended December 31, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

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 3(c)) 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:

	December 31, 2024		December 31, 2023	
	USD	GBP	USD	GBP
Financial assets	3,338,308	5,661,320	3,380,661	5,465,810
Financial liabilities	37,705	5,112,738	26,937	4,912,085
Insurance contract liabilities	2,597,954	342,725	2,565,709	367,250
Reinsurance contract held assets	320,059	2,288	290,536	9,310

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.

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

	Change in net income (loss)		Change in surplus	
	2024	2023	2024	2023
Impact of 1.0% strengthening of Canadian dollar				
USD				
Insurance and reinsurance contracts held	37,369	33,978	37,369	33,978
Financial instruments	(48,018)	(44,770)	(48,018)	(44,770)
	(10,649)	(10,792)	(10,649)	(10,792)
GBP				
Insurance and reinsurance contracts held	6,168	6,196	6,168	6,196
Financial instruments	(9,948)	(9,417)	(9,948)	(9,417)
	(3,780)	(3,221)	(3,780)	(3,221)
Impact of 1.0% weakening of Canadian dollar				
USD				
Insurance and reinsurance contracts held	(37,369)	(33,978)	(37,369)	(33,978)
Financial instruments	48,018	44,770	48,018	44,770
	10,649	10,792	10,649	10,792
GBP				
Insurance and reinsurance contracts held	(6,168)	(6,196)	(6,168)	(6,196)
Financial instruments	9,948	9,417	9,948	9,417
	3,780	3,221	3,780	3,221

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).

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

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% (2023 : 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:

	2024			2023		
	Fixed-rate	**Floating rate**	**Total**	**Fixed-rate**	**Floating rate**	**Total**
Financial instruments						
Assets	6,175,285	288,768	6,464,053	5,768,472	256,522	6,024,994
Liabilities	(248,558)	—	(248,558)	(248,326)	—	(248,326)
	5,926,727	288,768	6,215,495	5,520,146	256,522	5,776,668
Underlying items of direct participating contracts	(285,820)	(9,859)	(295,679)	(291,076)	(5,808)	(296,884)
	5,640,907	278,909	5,919,816	5,229,070	250,714	5,479,784
Insurance and reinsurance contracts held						
Liabilities			6,502,824			5,973,504
Assets			(926,035)			(816,404)
			5,576,789			5,157,100
Direct participating contracts			(522,422)			(507,094)
			5,054,367			4,650,006

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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

	Change in net income (loss)		Change in surplus	
	2024	**2023**	**2024**	**2023**
Impact of 1.0% increase in interest rates				
Insurance contracts issued and reinsurance contracts held	338,452	403,478	338,452	403,478
Financial instruments	(414,766)	(440,695)	(414,766)	(440,695)
	(76,314)	(37,217)	(76,314)	(37,217)
Impact of 1.0% decrease in interest rates				
Insurance contracts issued and reinsurance contracts held	(431,349)	(525,106)	(431,349)	(525,106)
Financial instruments	480,453	513,888	480,453	513,888
	49,103	(11,219)	49,103	(11,219)

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, 2024 (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	
	2024	**2023**	**2024**	**2023**
Impact of 10% increase in equity markets				
Insurance and reinsurance contracts held	(16,190)	(14,933)	(16,190)	(14,933)
Financial instruments	30,163	29,412	30,163	29,412
	13,973	14,479	13,973	14,479
Impact of 10% decrease in equity markets				
Insurance and reinsurance contracts held	16,190	14,933	16,190	14,933
Financial instruments	(30,163)	(29,412)	(30,163)	(29,412)
	(13,973)	(14,479)	(13,973)	(14,479)

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% (2023: 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, 2024 (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**
2024						
Mortality rates adversely impacted by 1% increase	(23,378)	(13,096)	(39,536)	(16,772)	(39,536)	(16,772)
Mortality rates adversely impacted by 1% decrease	(817)	(956)	(78)	(73)	(78)	(73)
Mortality rates favourably impacted by 1% increase	494	1,141	50	44	50	44
Mortality rates favourably impacted by 1% decrease	31,162	17,461	33,443	13,954	33,443	13,954
Morbidity rates (1% favourable)	91	285	106	(61)	106	(61)
Morbidity rates (1% unfavourable)	(119)	37	(140)	(273)	(140)	(273)
Lapse rates (10% favourable)	40,515	60,139	97,633	87,775	97,633	87,775
Lapse rates (10% unfavourable)	(19,132)	(26,969)	(125,551)	(113,134)	(125,551)	(113,134)
Operating expenses (10% favourable)	42,262	44,342	41,300	32,094	41,300	32,094
Operating expenses (10% unfavourable)	(36,918)	(40,246)	(39,043)	(35,679)	(39,043)	(35,679)
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% favourable)	18	(2)	2	1	2	1
Morbidity rates (1% unfavourable)	(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)

For the year ended December 31, 2024 (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.

	2024	2023
Concentration by country		
Canada	32%	32%
U.S.	58%	57%
U.K.	10%	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 stressed liquid assets divided by the stressed insurance liabilities outflows. The stressed insurance liability outflows is calculated by assessing the liability exposure that is adjusted for the probability of a policyholder surrendering a policy for cash under its contractual provisions in each of the two scenarios.

Operating and strategic liquidity levels are managed against established guidelines.

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

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

	2024	2023
Allowable liquid assets	$ 6,010,005	$ 5,643,554
Risk-adjusted liquidity of liabilities	1,835,475	1,661,641
Liquidity ratio	327.44 %	339.64 %

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 for best estimate liability, not including risk adjustment and CSM, 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, 2024							
Net insurance contract liabilities	(12,967)	32,461	90,139	122,231	158,513	6,037,862	6,428,239
Reinsurance contracts held	15,882	7,147	(5,615)	(15,598)	(23,536)	(904,316)	(926,036)
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)

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

	2024		2023	
	Amount Payable on Demand	Carrying Amount	Amount Payable on Demand	Carrying Amount
	$	$	$	$
Insurance contracts - excluding segregated fund net assets	4,997,766	5,211,194	4,561,305	4,763,085
Insurance contracts - segregated fund net assets	74,589	74,589	73,621	73,621

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

For the year ended December 31, 2024 (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							
2024	**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	28,275	—	—	—	—	—	28,275	28,275
Derivative liabilities	11,069	6,643	7,670	7,233	6,624	61,530	100,769	52,533
Other liabilities	218,280	2,464	—	—	—	—	220,744	220,744
Subordinated debt	—	—	—	—	—	250,000	250,000	248,558
	257,624	9,107	7,670	7,233	6,624	311,530	599,788	550,110
2023								
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
Other liabilities	184,980	7,405	—	—	—	—	192,385	192,385
Subordinated debt	—	—	—	—	—	250,000	250,000	248,326
	210,198	11,005	2,923	4,008	3,756	283,057	514,947	495,225

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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

8. OTHER ASSETS

Other assets are comprised of the following:

	2024 $	2023 $
Accounts receivable	23,586	21,585
Mortgage vendor take back	27,274	27,274
Deferred acquisition cost on unit linked investment contracts	33,707	30,683
Finance lease receivable	4,927	9,191
Prepaid expenses	8,026	4,768
Other	1,222	3,278
	98,742	96,779

The carrying value of these assets approximates their fair value. Other assets of $64,132 (2023:$ 31,660) 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, 2023	2,143	7,491	3,035	31	12,700
Additions	—	—	872	—	872
Gains (losses) included in OCI changes in fair value	(621)	621	—	—	—
Disposals	—	—	(9)	—	(9)
Depreciation expense	—	(334)	(1,189)	(29)	(1,552)
Effect of change in foreign exchange rates	143	488	103	—	734
Net carrying value as at December 31, 2024	1,665	8,266	2,812	2	12,745
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

For the year ended December 31, 2024 (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, 2024			
Land	1,665	—	1,665
Buildings	8,266	—	8,266
Furniture and equipment	28,568	25,755	2,812
Leasehold improvements	178	177	1
	38,677	25,932	12,745
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

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, which involves 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, 2024 by an independent appraiser. The fair value of land and building was $1,665 and $8,266 respectively ($2,143 and $7,491 respectively on December 31, 2023). 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, 2024 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, 2025 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 2024 anniversary report was filed in July 2024. In November 2024, Foresters Financial entered into a buy-in annuity contract. The wind-up process is expected to completed in 2026.

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

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.

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

	2024 $	2023 $
Change in plan assets:		
Fair value of plan assets at January 1	296,100	273,002
Interest income	13,593	14,157
Return on plan assets excluding interest income	(1,980)	10,603
Employer contributions	8,916	10,937
Benefits paid	(12,747)	(12,797)
Settlement payments	(189)	(402)
Net transfer in (out)	—	(641)
Effect of change in foreign exchange rates	2,989	1,241
Fair value of plan assets at December 31	306,682	296,100
Change in projected benefit obligations:		
Accrued benefit obligations at January 1	322,517	297,555
Interest cost	12,641	13,061
Benefits paid	(12,929)	(13,218)
Net transfer in (out)	—	(641)
Remeasurements		
- experience adjustments	29,868	883
- actuarial (gains) losses from changes in financial assumptions	(4,854)	21,205
- actuarial (gains) losses from changes in demographic assumptions	(665)	(738)
- changes in the effect of the asset ceiling	(34,063)	1,052
Effect of change in foreign exchange rates	4,852	3,358
Accrued benefit obligations at December 31	317,367	322,517
Balance at December 31	(10,685)	(26,417)
Amounts recognized on consolidated statement of financial position		
Employee benefit obligations (note 10b)	10,685	26,417

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 Canadian plan, Foresters Financial has a liability for $11,297 (2023: $20,851) in respect of future contributions where there will be no economic benefit to Foresters Financial.

For the plans in U.K., no decrease in the employee benefit assets was necessary as the economic benefits available were not lower than the assets recognized.

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

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

	2024 %	2023 %
Cash and cash equivalents		
Canada	2 %	— %
U.K	3 %	1 %
Bonds and other fixed income securities		
Canada	19 %	84 %
U.K	5 %	3 %
Equities		
Canada	— %	— %
U.K	5 %	2 %
Annuity contract		
Canada	64 %	— %
U.K	— %	— %
Other		
Canada	0 %	1 %
U.K	3 %	9 %
	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:

	2024		2023	
	Pension $	Other benefits $	Pension $	Other benefits $
Change in projected benefit obligation:				
Accrued benefit obligations at January 1	27,506	7,243	25,635	7,407
Current service cost	823	—	671	—
Interest cost	1,148	328	1,255	348
Benefits paid	(2,443)	(659)	(1,730)	(694)
Remeasurements				
- experience adjustments	—	(76)	1	(158)
- actuarial (gains) losses from changes in financial assumptions	—	(751)	1,689	468
Effect of change in foreign exchange rates	(11)	414	(15)	(128)
Accrued benefit obligations at December 31	27,023	6,499	27,506	7,243
Net obligation for defined benefit pension plans (note 10a)	10,685	—	26,417	—
Amounts recognized on consolidated statement of financial position	**37,708**	**6,499**	**53,923**	**7,243**

The weighted average duration of all the defined benefit obligations was 9 years (2023: 12 years).

For the year ended December 31, 2024 (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:

	2024 $	2023 $
Within 1 year or less	15,598	15,575
2 -5 years	269,395	67,927
6 – 15 years	51,898	200,463
Over 15 years	108,168	426,943
Total	445,059	710,908

Foresters Financial expects to pay $9,944 in contributions to its defined benefit plans in 2025.

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

	2024 $	2023 $
As at December 31		
Fair value of defined benefit plan assets (note 10a)	306,682	296,100
Present value of obligations	350,889	357,266
Funded status – deficit	(44,207)	(61,166)

Additionally, long-term disability obligations amounted to $2,175 (2023: $2,419) 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:

	2024		2023	
	Pension benefits $	Other benefits $	Pension benefits $	Other benefits $
Defined benefit pension and post retirement plan expenses:				
Current service cost (income)	1,362	—	1,242	—
Net interest cost	196	328	158	348
	1,558	328	1,400	348
Defined contribution pension plans:				
Employer contributions	9,158		7,494	

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

Long-term disability benefit expense amounted to $(278) and $118 during 2024 and 2023 respectively and was included in Insurance service expenses 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:

	2024		2023	
	Pension benefits	Other benefits	Pension benefits	Other benefits
	%	%	%	%
Assumptions used to calculate benefit obligations				
Discount rate	4.7	4.9	4.6	4.6
Future pension growth	2.1	7.1	2.1	7.2
Inflation	2.1	—	2.1	—
Assumptions used to calculate benefit expenses				
Discount rate	4.6	4.6	5.2	5.1
Future pension growth	2.1	7.4	2.1	7.4
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, 2024	Defined benefit obligation	
	Increase	Decrease
	$	$
Discount rate (1% movement)	(29,428)	35,925
Future pension growth (1% movement)	2,699	(10,718)
Inflation rate (1% movement)	2,160	(10,130)
Life expectancy (movement by 1 year)	8,235	(8,068)

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

For the year ended December 31, 2024 (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:

	2024		2023	
	Canada	U.K	Canada	U.K
Longevity at age 65 for current pensioners				
Males	24	22	24	24
Females	24	23	24	22
Longevity at age 65 for current members aged 45				
Males	25	24	25	26
Females	25	25	25	24

The Medicare (post 65 years of age) inflation assumption for U.S. benefits is 7.1% for 2024 (2023: 5.6%) decreasing to 4.0% by 2046 and thereafter. The healthcare cost inflation assumption for Canadian benefits is 5.2% for 2024 (2023: 5.2%), 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, 2024	**1.0% increase**	**1.0% decrease**
	$	**$**
Effect on service cost plus interest cost	24	(21)
Effect on accrued benefit obligations	483	(431)

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)

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

11. INTANGIBLE ASSETS

a) Reconciliation of carrying amount

	Finite useful life		
	Management contracts and customer relationships	Software	Total
	$	$	$
Net carrying value as at December 31, 2023	32,880	46,069	78,949
Additions	—	13,202	13,202
Amortization	(8,406)	(13,663)	(22,069)
Effect of change in foreign exchange rates	1,956	2,327	4,283
Net carrying value as at December 31, 2024	26,430	47,935	74,365
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

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, 2024				
Management contracts and customer relationships	82,808	(56,378)	—	26,430
Software	107,269	(59,334)	—	47,935
	190,077	(115,712)	—	74,365
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

Included in software was $9,988 (2023: $11,511) that was still under development and had not been amortized. During the year, software costs amounting to $18,557 (2023: $18,980) were expensed.

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

12. OTHER LIABILITIES

Other liabilities were comprised of the following:

	2024 $	2023 $
Accounts payable and accrued liabilities	54,193	39,122
Due to unit-linked funds	88,719	85,167
Payroll, other compensation and benefits	9,281	7,435
Amounts due to unitholders	43,826	36,399
Reinsurance financing	2,287	1,138
Fraternal benefits in the course of payment	12,779	13,140
Derivative financial instruments	52,533	26,017
Deferred gain on sale of business	—	4,720
Other	9,659	5,264
	$ 273,277	$ 218,402

The carrying value of these liabilities approximates their fair value. Within 12 months from the reporting date, $270,813 (2023: $210,997) 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.

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 was 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 expired in 2024. In 2024, the provision was decreased by $742 (2023: decreased by $1,485) due to market performance and the resulting change in assets under management, and decreased by $4,140 (2023: $4,503) from a payment made against the provision. As at December 31, 2024 the provision was effectively $nil.

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, 2024 (amounts in thousands of Canadian dollars except where otherwise stated)

	2024	
	Provisions	
	Reinsurance financing $	Deferred gain on sale $
Balance, beginning of year	1,138	4,720
Provision adjustments (note 19)	—	(742)
Provisions added (used) during the year	1,001	(4,140)
Effect of change in foreign exchange rates	148	162
Balance, end of year	2,287	—

	2023	
	Provisions	
	Reinsurance financing $	Deferred gain on sale $
Balance, beginning of year	3,161	10,843
Provision adjustments (note 19)	—	(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

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 Foresters Financial. 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.

	2024 $	2023 $
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	3,626	1,971
1 to 2 years	477	1,971
2 to 3 years	341	1,720
3 to 4 years	341	1,595
4 to 5 years	142	1,595
More than 5 years	—	930
Total undiscounted lease payments	**4,926**	**9,782**
Unearned finance income	139	1,648
Net investment in the lease	**5,065**	**11,430**

The finance income on the net investment in the lease for the year is $70 (2023: $67).

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

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.

Right-of-use assets	**Office space $**	**Vehicles $**	**Equipment $**	**Total $**
Balance at January 1, 2024	2,850	1,247	610	4,707
Additions	849	3,382	183	4,414
Depreciation	(1,159)	(1,490)	(255)	(2,904)
Disposals	(953)	—	(14)	(967)
Effect of change in foreign exchange rates	35	136	9	180
Balance as at December 31, 2024	1,622	3,276	532	5,430

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 rate	(9)	54	1	46
Balance as at December 31, 2023	2,850	1,247	610	4,707

	2024 $	**2023 $**
Lease liabilities maturity analysis - contractual undiscounted cash flows		
Less than one year	5,672	6,137
1-5 years	10,469	10,681
Over 5 years	—	1,071
Total undiscounted lease liabilities at December 31	**16,141**	**17,890**
Amounts recognized in total comprehensive income (loss)		
Interest on lease liabilities	507	638
Expenses relating to short-term, low-value and variable lease payments	2,168	845
	2,675	**1,484**
Amounts recognized in statement of cash flows		
Total cash outflow for leases	**8,598**	**13,378**

For the year ended December 31, 2024 (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.

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.

		2024 $	2023 $
Available capital (A+B)		$ 2,869,504	$ 2,778,623
Tier 1 Capital	A	2,102,578	2,011,264
Tier 2 Capital	B	766,926	767,359
Surplus allowance and eligible deposits	C	673,324	627,956
Base solvency buffer	D	1,942,195	1,748,078
Total ratio (%) ([A+B+C] / D) x 100		182.41 %	194.88 %

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, 2024 (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:

				2024	2023
	Interest rate	Earliest par call or redemption date	Maturity	Carrying value	Carrying value
Issued October 15, 2020	2.885%	October 15, 2030	2035	$248,558	$248,326

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"). If the three-month CDOR has been permanently or indefinitely discontinued, Foresters Financial shall appoint a calculation agent of national standing in Canada with experience in providing such services to assist in determining an appropriate alternative rate and adjustments thereto, and the decisions of such calculation agent shall be binding. Commission and expenses of $2,336 were included in the carrying value of the note.

Interest expense on subordinated debt was $7,453 for 2024 and $7,426 for 2023.

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:

	2024	2023
	$	$
Fee revenue	121,395	109,073
Other income	1,774	3,259
Net foreign currency gains/losses on other assets/liabilities	3,715	192
Total fee revenue and other operating income	126,884	112,524

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

17. EXPENSES

A breakdown of expenses by nature is provided below:

	2024 $	2023 $
Claims and benefits	374,816	469,561
Salaries, wages and allowances	173,420	174,150
Defined benefit pension plan expense	3,556	3,635
Professional and service fees and expenses	106,174	101,407
Commissions	199,368	198,119
Losses and reversals of losses on onerous contracts	587,011	200,759
Amortization of property & equipment	7,753	8,696
Amortization of intangible assets	22,069	20,468
Rent	11,844	9,935
Other	12,848	7,750
Subtotal	**1,498,859**	**1,194,480**
Amounts attributed to insurance acquisition cash flows	(267,130)	(262,587)
Amortization of insurance acquisition cash flows	108,760	87,021
Total	**1,340,489**	**1,018,914**
Represented by:		
Insurance service expenses	1,175,873	868,344
Operating expenses	164,616	150,570
	1,340,489	**1,018,914**

For the year ended December 31, 2024 (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:

	2024	2023
Current income tax expense (recovery):		
Current year	4,233	9,085
Pillar Two top-up tax	703	—
	4,936	9,085
Deferred income tax expense (benefit):		
Relating to the origination and reversal of temporary differences	(18,519)	(3,326)
Change in unrecognized deductible temporary differences	5,250	2,146
Adjustments for prior periods	2,546	(21,213)
Tax rate adjustment on loss carry back	—	3
Other taxes	(25)	1,248
	(10,748)	(21,142)
Total income taxes expense (recovery)	(5,812)	(12,057)

Cash taxes paid were $16,099 (2023: $10,633). Cash tax refunds received during the year were $2,228 including $0 in interest. (2023: Tax refunds of $8,627 including $58 in interest).

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:

	2024 $	2023 $
Income tax expense on remeasurement gains and losses on employee benefit plans	(1,594)	683
Total income (tax expense) recovery	(1,594)	683

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:

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

	2024		2023	
	$	%	$	%
Net income (loss) after taxes	(57,501)		189,888	
Income tax (recovery) expense	(5,812)		(12,057)	
Income (Loss) from continuing operations before income taxes	(63,313)		177,831	
Combined federal and provincial statutory income tax rate for the current year	(16,015)	25.3	46,965	26.4
Amounts not subject to tax	181	(0.3)	(48,324)	(27.2)
Tax rate differences	8	—	(60)	—
Capital taxes	3,255	(5.1)	3,509	2.0
Tax adjustments related to prior years	3,905	(6.2)	(12,326)	(6.9)
Difference between Canadian and foreign statutory rates	(1,015)	1.6	(1,244)	(0.7)
Policyholder taxes on U.K Ring Fenced Funds	1,847	(2.9)	(1,040)	(0.6)
Unrecognized deferred taxes	1,048	(1.7)	(1,316)	(0.7)
Other taxes	974	(1.5)	1,779	1.0
Income tax (recovery) expense	(5,812)	9.2	(12,057)	(6.8)

For 2024, income tax expense is equal to 9.2% (2023: (6.8)%) 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:

	2024	2023
	$	$
Deferred tax assets	77,280	62,961
Deferred tax liabilities	11,600	6,539
Net deferred tax assets	65,680	56,422

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, 2024 (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:

	2024			2023		
	Asset	**Liability**	**Net**	**Asset**	**Liability**	**Net**
	$	**$**	**$**	**$**	**$**	**$**
Bonds	—	(93)	(93)	—	(235)	(235)
Loans to certificate holders			—	—	—	—
Other invested assets	812	(12,247)	(11,435)	—	(7,847)	(7,847)
Property and equipment	12	(21)	(9)	—	(1,336)	(1,336)
Intangible Assets	—	(6,244)	(6,244)	—	(6,048)	(6,048)
Employee benefit assets and obligations	3,697	(540)	3,157	4,103	—	4,103
Insurance contract liabilities	20,422	(1,177)	19,245	51,728	(37,267)	14,461
Other liabilities	1,085	—	1,085	1,142	—	1,142
Tax loss carry-forwards	59,974	—	59,974	52,182	—	52,182
Recognized deferred tax assets (liabilities)	86,002	(20,322)	65,680	109,155	(52,733)	56,422

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

	2024	2023
	$	**$**
Beginning of year	56,422	34,527
(Charges) credits included in net income	11,210	(246)
(Charges) credits included in OCI	(1,595)	684
Adjustments related to prior periods	(3,304)	21,740
Change in unrecognized deductible temporary differences	2,267	(218)
Exchange rate differences	680	(65)
End of year	65,680	56,422

Recognized deferred tax assets

There were accumulated tax losses in the U.K. amounting to $11,309 (2023: $19,472) and $48,666 (2023: $32,710) 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:

	2024	2023
	$	**$**
Deductible temporary differences	2,013	2,904
Tax losses, credits and unclaimed deductions	41,371	33,442
	43,384	36,346

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 $6,162 (2023: $5,419) 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 $13,976 (2023: $11,125) that have not been recognized in the consolidated financial statements as it is not probable that future taxable income will be available against which to apply these deductions. These unclaimed deductions expire beginning in 2032 through 2044.

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 2025 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 Canadian Global Minimum Tax Act (GMTA) was enacted on June 20, 2024, and applies retroactively to fiscal years beginning on or after December 31, 2023. Foresters accrued $702 of current tax expense related to Pillar Two minimum top-up tax in respect of its US Branch operations. Foresters has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

19. DISCONTINUED OPERATIONS

In 2019, Foresters Financial sold assets from the NAAM segment including the sale of its Canadian subsidiary, Foresters Asset Management, Inc. ("FAM"). Management committed to a plan to exit this segment following a strategic decision to place greater focus on Foresters Financial'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 of Foresters 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

	2024	2023
	$	$
Revenue (Expense)	742	1,485
Net income (loss) from discontinued operations, net of tax	**742**	**1,485**

A deferred gain on sale was established in 2019 and relates to an investment management fee guarantee that Foresters Financial has provided. The deferral was 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 expired in 2024. In 2024, the provision for the deferred gain on sale was decreased by $742 (2023: decreased by $1,485) effectively reducing it to nil as at December 31, 2024.

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:

	2024	2023
	$	$
Net cash used in operating activities	(4,140)	(4,503)
Net cash flows for the year	**(4,140)**	**(4,503)**

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

20. 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:

	2024 $	2023 $
Salaries and other short-term employee benefits	16,383	17,729
Post-employment benefits	1,380	1,373
Other long-term benefits	2,038	4,924
Termination benefits	1,721	1,871
Total compensation of key management personnel	**21,522**	**25,897**

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 2024 and 2023, Foresters Financial did not redeem any seed investment units.

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

21. 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. As at December 31, 2024, Foresters Financial’s contractual obligations and commitments were as follows:

December 31, 2024	**1 year or less**	**2 -5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Obligations under service contracts	39,967	52,293	—	92,260
Investment commitment	162,375	—	—	162,375
Lease commitment	—	10,569	52,959	63,528
Total contractual obligations	**202,342**	**62,862**	**52,959**	**318,163**

Foresters Financial entered into a 10 year office lease commitment that commences in 2027.

22. 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.

23. 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 (%)**	
			2024	**2023**
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.

24. COMPARATIVE INFORMATION

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