DEFINITY FINANCIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024

REPORT OF MANAGEMENT'S ACCOUNTABILITY

The accompanying consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and have been approved by the Board of Directors.

Management is responsible for ensuring that these consolidated financial statements, which include amounts based on estimates and judgments, present fairly the financial performance and financial position of Definity Financial Corporation (the "Company") and its subsidiaries, in all material respects.

The system of internal controls is reviewed and evaluated on an ongoing basis by management and the Company's internal auditor. The integrity and reliability of the Company's reporting systems are achieved through the use of formal policies and procedures, the careful selection and training of employees, and appropriate delegation of authority and division of responsibilities. PricewaterhouseCoopers LLP has been retained to act as the Company's internal auditor. The responsibility of the internal auditor is to monitor and assess the integrity of the internal controls within key business processes. The Company's Code of Business Conduct, which is communicated to all levels in the organization, requires employees to maintain high standards in their conduct of the Company's affairs.

The external auditor, Ernst & Young LLP, whose report on their audit of the consolidated financial statements follows, also reviews the Company's systems of internal accounting control in accordance with Canadian generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

The Board of Directors appoints an Audit Committee consisting of directors who are not employees of the Company. This committee meets regularly with management, the internal auditor, and the external auditor to review significant accounting, reporting, and internal control matters. Both the internal and external auditors have unrestricted access to the Audit Committee. Following its review of the consolidated financial statements and the report of the external auditor, the Audit Committee submits its report to the Board of Directors recommending approval of the consolidated financial statements.



Rowan Saunders
President and Chief Executive Officer



Philip Mather
Executive Vice-President and Chief Financial Officer

Waterloo, Canada
February 13, 2025

Independent auditor's report

To the Shareholders of
Definity Financial Corporation

Opinion

We have audited the consolidated financial statements of **Definity Financial Corporation** and its subsidiaries [the "Company"], which comprise the consolidated balance sheets as at December 31, 2024 and 2023, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation of liabilities for incurred claims

The Company reported insurance contract liabilities of $3,603.3 million as at December 31, 2024, of which the liabilities for incurred claims were $3,225.2 million and represented 77.0% of its total liabilities.

The principal consideration for our determination that the liabilities for incurred claims is a key audit matter is that its estimate involves the application of models, methodologies, and assumptions that require significant judgment. As a result, the audit of liabilities for incurred claims requires significant judgment and the involvement of specialists. Liabilities for incurred claims are determined in accordance with generally accepted actuarial practices. The main assumption underlying these estimates is that the Company's past claims development experience can

be used to project future claims development. As such, actuarial claims projection techniques extrapolate the development of paid and incurred losses, frequency and severity of claims based on the observed development of earlier years and expected loss ratios. Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, considering the uncertainties involved. Disclosures on this matter are found in note 4 “Material Accounting Judgments, Estimates, and Assumptions” and note 8 “Insurance and Reinsurance Contracts”.

Our audit procedures related to the valuation of liabilities for incurred claims were conducted with the support of our actuarial specialists and included the following, among other procedures:

- Evaluated the objectivity, independence, and expertise of the actuary appointed by management;
- Obtained an understanding of and tested the design and operating effectiveness of selected key controls related to the Company’s claims process, including controls over the integrity of data flowing through the Company’s administration systems;
- Obtained an understanding of the Company’s actuarial methodologies and assessed whether they are determined in accordance with IFRS 17 – *Insurance Contracts* (“IFRS 17”);
- Performed an independent valuation of liabilities for incurred claims for a sample of lines of business that reflects our expectations based on the Company’s historical experience, current trends, and benchmarking to our industry knowledge including information relating to forthcoming legislation and changes in the prevailing social, economic and legal environment that could affect claims settlement in terms of speed or amount. The high degree of uncertainty led to a high degree of auditor judgment;
- Performed analytical procedures, tests of detail and data integrity testing of incurred claims, paid claims, and earned premiums used in setting the case-by-case provisions, establishing historical loss ratios and in determining the current mix of business used in the valuation of liabilities for incurred claims; and
- Assessed the adequacy of the disclosures pertaining to the liabilities for incurred claims provided in notes to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises:

- 2024 Management’s Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor’s report thereon, in the 2024 Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the 2024 Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

The 2024 Annual Report is expected to be made available to us after the date of the auditor’s report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

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, 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 group 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 the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sean Musselman.

Ernst & Young LLP

Waterloo, Canada
February 13, 2025

Chartered Professional Accountants
Licensed Public Accountants

DEFINITY FINANCIAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

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DEFINITY FINANCIAL CORPORATION

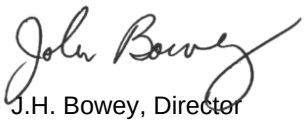
CONSOLIDATED BALANCE SHEETS

(in millions of dollars)

	Notes	As at December 31, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents		**$ 322.1**	$ 197.5
Restricted cash	**2(d)**	**14.8**	244.0
Investments	**6**	**5,270.5**	4,931.0
Income taxes receivable		**6.7**	-
Reinsurance contract assets	**8,9**	**346.2**	330.4
Property and equipment	**10**	**104.8**	103.1
Deferred income tax assets	**11**	**13.2**	23.6
Goodwill and intangible assets	**12**	**1,397.5**	1,229.9
Other assets	**13**	**217.5**	200.0
Total assets		**$ 7,693.3**	$ 7,259.5
LIABILITIES AND EQUITY			
Insurance contract liabilities	**8,9**	**$ 3,603.3**	$ 3,493.8
Accounts payable and other liabilities	**14**	**148.1**	131.9
Income taxes payable		**42.3**	117.9
Deferred income tax liabilities	**11**	**154.3**	150.7
Securities sold under repurchase agreements		**110.1**	-
Debt outstanding	**15**	**114.3**	114.3
Demutualization amounts outstanding	**2(d)**	**14.8**	244.0
Total liabilities		**4,187.2**	4,252.6
EQUITY			
Share capital	**17**	**2,220.4**	2,273.0
Contributed surplus	**20**	**42.4**	40.4
Retained earnings		**1,058.1**	561.3
Accumulated other comprehensive loss		**(1.1)**	(27.0)
Equity attributable to common shareholders		**3,319.8**	2,847.7
Non-controlling interests	**16**	**186.3**	159.2
Total equity	**18**	**3,506.1**	3,006.9
Total liabilities and equity		**$ 7,693.3**	$ 7,259.5
Commitments and contingencies	**25**		

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



J.H. Bowey, Director



R.B. Saunders, Director

DEFINITY FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)

	Notes	2024	2023
Insurance revenue	**8**	**$ 4,258.4**	$ 3,850.3
Insurance service expenses	**8,23**	**(3,672.8)**	(3,377.1)
Net expenses from reinsurance contracts held	**8,23**	**(105.3)**	(48.8)
Insurance service result		**480.3**	424.4
Net investment income	**6**	**198.2**	179.5
Recognized gains on FVTPL investments	**6**	**214.4**	151.8
Investment income		**412.6**	331.3
Finance expenses from insurance contracts issued	**8**	**(166.0)**	(152.4)
Finance income from reinsurance contracts held	**8**	**14.5**	13.3
Net insurance financial result		**(151.5)**	(139.1)
Net insurance and investment result		**741.4**	616.6
Distribution revenues		**186.0**	127.4
Other expenses	**23**	**(339.1)**	(271.5)
Interest expense	**15**	**(9.6)**	(5.3)
Income before income taxes		**578.7**	467.2
Income tax expense	**11**	**(143.8)**	(112.7)
Net income		**$ 434.9**	$ 354.5
Net income attributable to:			
Common shareholders		**430.4**	350.1
Non-controlling interests	**16**	**4.5**	4.4
Earnings per common share (in dollars)	**19**		
Basic		**$ 3.75**	$ 3.04
Diluted		**$ 3.69**	$ 3.00
Weighted average common shares outstanding (millions)	**19**		
Basic		**114.8**	115.0
Diluted		**116.5**	116.6
Dividends paid per common share (in dollars)	**17**	**$ 0.64**	$ 0.55

See accompanying notes to the consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)

	Notes		**2024**		2023
Net income		**$**	**434.9**	$	354.5
Item that may be reclassified subsequently to net income:					
Foreign exchange gain (loss) on investments in associates			**3.1**		(0.9)
			3.1		(0.9)
Items that will not be reclassified subsequently to net income:					
Recognized gains on FVTOCI investments	**6**		**30.9**		8.5
Post-employment benefit obligation gain (loss)	**21**		**9.0**		(1.3)
Income tax expense	**11**		**(10.5)**		(1.9)
			29.4		5.3
Other comprehensive income			**32.5**		4.4
Comprehensive income		**$**	**467.4**	$	358.9
Comprehensive income attributable to:					
Common shareholders			**462.9**		354.5
Non-controlling interests	**16**		**4.5**		4.4

See accompanying notes to the consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)

		2024					
	Notes	**Share capital**	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive loss**	**Equity attributable to non-controlling interests**	**Total equity**
Balance, December 31, 2023		**$ 2,273.0**	**$ 40.4**	**$ 561.3**	**$ (27.0)[2]**	**$ 159.2**	**$ 3,006.9**
Net income attributable to common shareholders		**-**	**-**	**430.4**	**-**	**-**	**430.4**
Net income attributable to non-controlling interests		**-**	**-**	**-**	**-**	**4.5**	**4.5**
Other comprehensive income		**-**	**-**	**6.6[1]**	**25.9**	**-**	**32.5**
Total comprehensive income		**-**	**-**	**437.0**	**25.9**	**4.5**	**467.4**
Equity-settled share-based compensation	**20**	**15.7**	**2.0**	**(16.5)**	**-**	**-**	**1.2**
Shares purchased and held in trust	**17**	**(68.3)**	**-**	**-**	**-**	**-**	**(68.3)**
Dividends to common shareholders		**-**	**-**	**(73.7)**	**-**	**-**	**(73.7)**
Dividends to non-controlling interests		**-**	**-**	**-**	**-**	**(2.7)**	**(2.7)**
Equity subscriptions	**5**	**-**	**-**	**-**	**-**	**25.3**	**25.3**
Return of restricted cash	**2(d)**	**-**	**-**	**150.0**	**-**	**-**	**150.0**
Balance, December 31, 2024		**$ 2,220.4**	**$ 42.4**	**$ 1,058.1**	**$ (1.1)[2]**	**$ 186.3**	**$ 3,506.1**

		2023					
	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
Balance, December 31, 2022		$ 2,254.2	$ 40.2	$ 287.8	$ (32.4)	$ 108.5	$ 2,658.3
Net income attributable to common shareholders		-	-	350.1	-	-	350.1
Net income attributable to non-controlling interests		-	-	-	-	4.4	4.4
Other comprehensive (loss) income		-	-	(1.0)[1]	5.4	-	4.4
Total comprehensive income		-	-	349.1	5.4	4.4	358.9
Equity-settled share-based compensation	20	32.7	0.2	(12.4)	-	-	20.5
Shares purchased and held in trust	17	(13.9)	-	-	-	-	(13.9)
Dividends to common shareholders		-	-	(63.2)	-	-	(63.2)
Dividends to non-controlling interests		-	-	-	-	(1.0)	(1.0)
Equity subscriptions	5	-	-	-	-	47.3	47.3
Balance, December 31, 2023		$ 2,273.0	$ 40.4	$ 561.3	$ (27.0)[2]	$ 159.2	$ 3,006.9

[1] Actuarial gains (losses) for the post-employment benefit obligation recognized in retained earnings (net of income tax expense of $2.4 million (2023: $0.3 million income tax recovery)).

[2] Included in accumulated other comprehensive loss is $7.9 million (2023: $4.8 million) related to the cumulative foreign exchange gain on investments in associates.

See accompanying notes to the consolidated financial statements.

DEFINITY FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31

(in millions of dollars)

	Notes	2024	2023
Operating activities:			
Income before income taxes		**$ 578.7**	$ 467.2
Income taxes (paid) recovered, net		**(243.7)**	65.4
Adjustments for non-cash items	**24**	**(93.3)**	(41.9)
Changes in operating assets and liabilities	**24**	**65.5**	(138.9)
Net cash provided by operating activities		**307.2**	351.8
Investing activities:			
Investments purchased		**(5,965.9)**	(7,011.6)
Investments sold, redeemed, or matured		**5,900.2**	7,163.1
Commercial loans advanced		**-**	(8.8)
Commercial loans collected		**2.0**	2.2
Purchases of intangible assets and property and equipment		**(75.6)**	(87.5)
Business acquisitions, net of cash acquired		**(158.7)**	(409.3)
Net cash used in investing activities		**(298.0)**	(351.9)
Financing activities:			
Dividends paid on common shares		**(73.7)**	(63.2)
Dividends paid to non-controlling interests		**(2.7)**	(1.0)
Common shares purchased and held in trust	**17**	**(68.3)**	(13.9)
Demutualization payments		**(79.2)**	(58.1)
Net proceeds from securities sold under repurchase agreements		**110.1**	-
Borrowing on credit facility	**15**	**-**	114.3
Repayment of demand loans		**-**	(39.1)
Net cash used in financing activities		**(113.8)**	(61.0)
Cash and cash equivalents, and restricted cash:			
Net decrease during the year		**(104.6)**	(61.1)
Balance, beginning of the year		**441.5**	502.6
Balance, end of the year		**$ 336.9**	$ 441.5
Cash		**$ 262.2**	$ 153.1
Cash equivalents		**59.9**	44.4
Total cash and cash equivalents		**$ 322.1**	$ 197.5
Restricted cash		**14.8**	244.0
Total cash and cash equivalents, and restricted cash		**$ 336.9**	$ 441.5

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Definity Financial Corporation (the "Company"), through its subsidiaries, offers property and casualty ("P&C") insurance in Canada. The Company was incorporated on June 30, 2021 and is domiciled in Canada. Its registered office and principal place of business is 111 Westmount Road South, Waterloo, Ontario, Canada. On January 1, 2024, Definity Financial Corporation ceased to be incorporated under the *Insurance Companies Act* and continued to the *Canada Business Corporations Act*. The Company's shares are publicly traded on the Toronto Stock Exchange (TSX: DFY).

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared on a historical cost basis, except for those financial instruments, including those held in the defined benefit pension plan, that have been measured at fair value, and liabilities for incurred claims, assets for incurred claims, and benefit plan obligations which are valued on a discounted basis in accordance with accepted actuarial practice.

The financial statements of the subsidiaries and material associates are prepared for the same reporting period as the Company. Where necessary, the accounting policies of subsidiaries and associates are adjusted to align with those of the Company. The consolidated financial statements include the accounts of Definity Financial Corporation and its subsidiaries. The Company's significant operating subsidiaries are Definity Insurance Company ("Definity Insurance"), Sonnet Insurance Company, Petline Insurance Company ("Petline"), Westmount Financial Inc., McDougall Insurance Brokers Limited ("McDougall"), Family Insurance Solutions Inc., and TEIG Investment Partnership (which holds the investment portfolio for Definity Insurance and a portion of the investment portfolio for Sonnet Insurance Company). Each of these significant operating subsidiaries operate and are incorporated or established in Canada. The Company has appointed a trust company as its administrative agent and record keeper of its share-based compensation plans as described in note 2(n). The Company's non-controlling interest investments in companies subject to significant influence are accounted for using the equity method and are included in "Other assets".

All amounts in the notes are shown in millions of Canadian dollars, unless otherwise stated.

These consolidated financial statements, which include the Company and its subsidiaries, were authorized for issuance and approved by the Company's Board of Directors on February 13, 2025.

(b) Basis of consolidation

When the Company is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee, the investee is considered a subsidiary. Subsidiaries are fully consolidated from the date that control is obtained by the Company. Subsidiaries are deconsolidated from the date that control ceases.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

When the Company has significant influence over an investee, that is the power to participate in the financial and operating decisions of the investee but does not have control or joint control over those decisions, the investee is considered to be an associate. Associates are accounted for under the equity method. Under the equity method, the original cost of the investments is increased by the comprehensive income of the non-controlling interest since acquisition and reduced by any dividends received. All intercompany transactions and balances have been eliminated on consolidation to the extent of the interest in the associate.

Business combinations are accounted for using the acquisition method. The acquisition method requires that the acquirer recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree, at the acquisition date. Acquisition costs directly attributable to the acquisition are expensed in the year incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at fair value at the date of acquisition, irrespective of the extent of any non-controlling interest. Any contingent consideration is also measured at fair value at the acquisition date.

The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(c) Insurance and reinsurance contracts

Insurance and reinsurance contracts classification
The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders by agreeing to compensate the policyholder if a specified event (the “insured event”) with uncertain timing or amount occurs. Similarly, by purchasing reinsurance, the Company transfers significant insurance risk to the reinsurers. As a general guideline, the Company determines whether significant insurance risk has been transferred for insurance and reinsurance contracts by comparing whether significantly more would be paid or received if the insured event occurs, versus if the insured event did not occur.

The Company assesses its insurance products to determine whether they contain distinct components that must be segregated and accounted for separately from IFRS 17– *Insurance Contracts* (“IFRS 17”). Currently, the Company’s products do not include any distinct components that require separation.

Level of aggregation
IFRS 17 requires entities to determine the level of aggregation for applying its requirements. The level of aggregation is determined by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks that are managed together. The Company currently divides its business into portfolios by taking into consideration its lines of businesses, distribution channels, and geographic regions.

IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. Within each year of issue, portfolios of contracts are divided into three groups, as follows: (i) a group of contracts that are onerous at initial recognition (if any), (ii) a group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any), and (iii) a group of the remaining contracts in the portfolio (if any).

The Company considers facts and circumstances to identify whether a group of contracts is onerous at initial recognition based on estimated fulfilment cash flows, results of similar contracts it has recognized, pricing information, and the operating and regulatory environment. The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. For contracts that are not onerous, an assessment is made at initial recognition whether there is significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance and reinsurance contracts (continued)

Level of aggregation (continued)
The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For reinsurance contracts held, a group can comprise a single contract.

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

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which:

- The Company is compelled to pay amounts to the reinsurer or the reinsurer has the right to compel premiums from the Company; or
- The Company has a substantive right to receive insurance contract services from the reinsurer or the reinsurer has the obligation to provide services to the Company.

A substantive obligation or right ends when the Company has the practical ability to reassess risks and can set a price or level of benefits that fully reflects those risks.

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

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

The Company recognizes a group of reinsurance contracts held from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognized, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Company recognizes a group of insurance contracts as onerous if the Company entered into the related reinsurance contract held at or before that date.

Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts acquired in a business combination within the scope of IFRS 3 – *Business Combinations* or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Insurance contracts – initial measurement
The Company applies the premium allocation approach (“PAA”) to all the insurance contracts that it issues and reinsurance contracts that it holds. For contracts with coverage periods greater than one year, the Company reasonably expects that the measurement of the liabilities for remaining coverage (“LRC”) (or the assets for remaining coverage (“ARC”) with respect to reinsurance) for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general measurement model. The Company does not have any significant contracts with coverage periods greater than one year.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance and reinsurance contracts (continued)

Insurance contracts – initial measurement (continued)
LRC is the obligation to provide coverage after the reporting period for insured events that have not yet occurred. The Company measures the carrying amount of the LRC as the premiums, if any, received at initial recognition minus any insurance acquisition cash flows paid at that date, and adjusted for any amount arising from the derecognition at that date of the asset recognized for insurance acquisition cash flows. The Company has elected to defer insurance acquisition cash flows over the contract period. The LRC is not adjusted for the time value of money as the premiums are due within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous, the Company will perform additional analyses to determine if a net outflow is expected from the contracts. Such onerous contracts are separately grouped from other contracts and the Company recognizes a loss in the consolidated statements of income in "Insurance service expenses" for the expected net outflow. A loss component is established by the Company within the LRC for such onerous group depicting the losses recognized.

Insurance contracts – subsequent measurement
The Company measures the carrying amount of the LRC at the end of each reporting period as the LRC at the beginning of the period plus any premiums received in the period and any amounts relating to the amortization of the insurance acquisition cash flows recognized as an expense in the reporting period, minus insurance acquisition cash flows paid and the amount recognized as insurance revenue for the services provided in the period. Where, during the coverage period, facts and circumstances indicate that a group of contracts is onerous, the Company recognizes a loss in the consolidated statements of income in "Insurance service expenses" for the expected net outflow. The provision for onerous losses is reversed to net income over the coverage period of the associated contracts.

Liabilities for incurred claims ("LIC") is the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses. The Company estimates the LIC (or the assets for incurred claims ("AIC") with respect to reinsurance) as the fulfilment cash flows related to incurred claims and other incurred insurance expenses. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the "risk adjustment"). The Company adjusts the LIC (or the AIC) to reflect the time value of money and financial risk that considers the characteristics of the liabilities and the duration of each portfolio of contracts.

The claim liabilities included in the LIC consist of reserves for reported claims as determined on a case-by-case basis by claims adjusters and an actuarially determined provision for incurred but not reported claims. Measurement uncertainty exists due to internal and external factors that can substantially impact the ultimate settlement costs. Consequently, the Company reviews and re-evaluates claims and reserves on a regular basis and any resulting adjustments are included in "Insurance service expenses" in the consolidated statements of income in the period the adjustment is made. The claim liabilities are extinguished when the obligation to pay a claim expires, is discharged, or is cancelled.

Reinsurance contracts held – initial measurement
The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, the measurement reflects the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the ARC for a group of reinsurance contracts held, if applicable, for the expected recovery of the losses.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance and reinsurance contracts (continued)

Reinsurance contracts held – initial measurement (continued)
The Company calculates the loss-recovery component by multiplying the loss component recognized on the underlying insurance contracts by the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. In order to be included in the loss-recovery calculation, the group of reinsurance contracts held covering the onerous underlying contracts must be entered into before or at the same time as the loss is recognized on the underlying insurance contracts. The Company uses a systematic and rational method to determine the portion of the loss component of the group of insurance contracts that relates to insurance contracts covered by the group of reinsurance contracts held.

Reinsurance contracts held – subsequent measurement
The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance contracts held.

Insurance acquisition cash flows
Insurance acquisition cash flows arise from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Insurance acquisition cash flows are capitalized and then expensed in the period over which the related premiums are recognized as income.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. If insurance acquisition cash flows are directly attributable to a group of insurance contracts, then they are allocated to that group. If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of insurance contracts, then they are allocated to groups in the portfolio using a systematic and rational method.

Insurance contracts – modification and derecognition
The Company derecognizes insurance contracts when:

- The rights and obligations relating to the contract are extinguished (that is, when the specified obligations in the contract expire or are discharged or cancelled); or
- Its terms are modified in a way such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract. When a modification is not treated as a derecognition, the Company recognizes amounts paid or received for the modification with the contract as an adjustment to the relevant LRC.

Presentation
The Company disaggregates the total amount recognized in the consolidated statements of income into an insurance service result (comprising insurance revenue, insurance service expenses, and net expenses from reinsurance contracts held) and insurance finance income or expenses.

Insurance revenue
The insurance revenue for the period is the amount of expected premiums allocated to the period, and various customer service fees collected from policyholders. The Company allocates insurance revenue to each period based on the passage of time of the coverage period.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(c) Insurance and reinsurance contracts (continued)

Insurance service expenses
Insurance service expenses arising from insurance contracts are recognized in the consolidated statements of income generally as they are incurred. Insurance service expenses include incurred claims and other incurred directly attributable expenses, amortization of insurance acquisition cash flows, changes that relate to past service (changes in fulfilment cash flows relating to the LIC), and changes that relate to future service (losses on onerous groups of contracts and reversals of such losses).

Net expenses from reinsurance contracts held
Included in net expenses from reinsurance contracts held on the consolidated statements of income are amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Company treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held. Where reinsurance cash flows are not contingent on claims on the underlying contracts, they are included as part of the allocation of reinsurance premiums.

Insurance finance income or expenses
Insurance finance income or expenses comprise the change in the carrying amounts of the group of insurance and reinsurance contracts arising from the impact of discount unwinding, changes in discount rates, and the effect of financial risk and changes in financial risk. The Company includes all insurance and reinsurance finance income or expenses for the period in net income.

Insurance contract liabilities and reinsurance contract assets
Insurance contract liabilities at the end of each reporting period is the sum of the LRC and the LIC. Reinsurance contract assets at the end of each reporting period is the sum of the ARC and the AIC.

Industry pools
When certain automobile owners are unable to obtain insurance via the voluntary insurance market, they may be insured through Facility Association's Residual Market ("FARM"). In addition, entities can choose to cede certain risks to industry risk sharing pools ("RSP") administered by Facility Association or, in Québec, to the Plan de répartition des risques ("PRR") administered by the Groupement des assureurs automobiles (collectively "the pools"). The related risks associated with FARM insurance policies and policies ceded by companies to the pools are aggregated and shared by entities in the P&C insurance industry, generally in proportion to market share and volume of business ceded to the pools. The Company applies the same accounting policies to FARM and pool insurance policies it assumes as it does to insurance policies issued by the Company directly to policyholders and applies the same accounting policies to risks ceded to the pools as it does to reinsurance contracts held.

Structured settlements
In the normal course of claims settlement, the Company enters into annuity agreements with various Canadian life insurance companies, that are required to have credit ratings of at least "A-" or higher, to provide for fixed and recurring payments to claimants in full satisfaction of the claim liability. Under such arrangements, the Company removes the liability from its consolidated balance sheets when the liability to its claimants is substantially discharged and legal release has also been obtained from the claimant, although the Company remains exposed to the credit risk that life insurers will fail to fulfil their obligations. See note 7 for further discussion of credit risk.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances on deposit with banks, and term deposits having original maturities of ninety days or less. Fair values approximate carrying values for term deposits.

The amount presented as restricted cash in the consolidated balance sheets is comprised of the cash held to satisfy the obligation outstanding to eligible recipients pursuant to the plan setting out the terms for the conversion of Definity Insurance ("Conversion Plan"). A portion of the eligible recipients became Lost Recipients because their address was unknown at the time that benefits were distributed or because they did not act upon their demutualization benefits within six months of the date on which those benefits were sent. Pursuant to the Conversion Plan, the entitlement of Lost Recipients to demutualization benefits ceased following the October 23, 2024 "Lost Recipient Claim Deadline" and any shares issued to Lost Recipients were cancelled and any cash benefits that were being held on behalf of Lost Recipients have been transferred by the depositary agent to Definity Insurance. An amount of $150 million of such cash benefits has been recorded directly to "Retained earnings" in the consolidated financial statements. The Company has undertaken an administrative processing period following the Lost Recipient Claim Deadline to work with persons who contacted the Company prior to the Lost Recipient Claim Deadline in order to confirm their identity as eligible recipients, and effect distribution of benefits where appropriate. Cash relating to these efforts is recorded as restricted cash in the consolidated balance sheets for the year ended December 31, 2024.

(e) Financial instruments including investments

The Company classifies all of its financial instruments based on the business model for managing the instruments and their contractual terms. The categories include the following:

- Amortized cost
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVTOCI")

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives. The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount, and volatility of cash flow requirements to support insurance liabilities in determining the business model for the assets as well as the potential to maximize return for shareholders and future business development.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business that are responsible for managing investments are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value, and timing of asset sales are also important aspects of the Company's assessment. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments including investments (continued)

As a second step of its classification process, the Company assesses the contractual terms to identify whether they meet the solely payments of principal and interest ("SPPI") test. The SPPI test involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are SPPI on the principal amount outstanding. The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors.

The classification of financial instruments at initial recognition depends on their contractual terms and the Company's business model for managing the instruments. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a settlement-date basis. Transaction costs are expensed as incurred for FVTPL financial instruments. For equity instruments designated as FVTOCI, transaction costs are included in the instrument's carrying value.

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given. Subsequent to initial recognition, the fair values are determined based on available information. The fair values of investments, excluding private debt pooled funds and commercial loans, are based on quoted bid market prices where available or observable market inputs. Private debt pooled funds consist of illiquid securities that are not traded in an active market or exchange and are managed by third-party firms. Third-party firms use fair valuation techniques to value the monthly net assets of private debt pooled funds. Fair value for each security within the private debt pooled funds is determined by the managers engaging valuation service providers as well as internal valuation techniques, such as discounted cash flow models, the use of a credit spread based on the terms of the security, and adjustments to the credit and yield as the managers deem relevant in the circumstances. The fair values of commercial loans and other financial instruments are obtained using discounted cash flow analysis at the current market interest rate for comparable financial instruments with similar terms and risks.

Financial instruments are no longer recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets measured at fair value through profit or loss
Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are required to be measured at fair value under IFRS 9 – *Financial Instruments* ("IFRS 9"). This category includes equity investments and derivative financial instruments whose cash flow characteristics fail the SPPI criterion and debt (including short-term) investments that are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This includes short-term investments, bonds, certain preferred stocks, common stocks, pooled funds, commercial loans, and derivative financial instruments. Short-term investments consist of term deposits having original maturities of greater than ninety days and less than one year. Derivatives are financial instruments that have value derived from underlying interest rates or other financial instrument prices or indices. There are currently no derivatives designated as a hedge for accounting purposes.

Changes in fair values as well as gains and losses on disposal of FVTPL financial instruments are recorded in "Recognized gains on FVTPL investments" in the consolidated statements of income with the related tax impact included in "Income tax expense". Gains and losses on the sale of FVTPL financial instruments are calculated on an average cost basis.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(e) Financial instruments including investments (continued)

Equity instruments measured at fair value through other comprehensive income
The Company has opted to designate certain preferred stocks as FVTOCI without recycling of fair value changes to profit and loss as they are held for the purpose of earning dividend income and are not held with the intent of short-term profit taking.

Other receivables/Other financial liabilities
Other receivables and other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. When there is evidence of impairment, the value of these financial instruments is written down to the estimated net realizable value in the consolidated statements of income.

Repurchase agreements
The Company enters into repurchase agreements to manage short-term cash flow requirements. Transactions through the repurchase agreements represent short-term funding transactions where the Company sells securities to major Canadian financial institutions and subsequently repurchases them at a specified price on a specified date in the future. As the Company does not substantially transfer the risks and rewards related to the securities sold, these assets, if any at the end of the period, remain on the consolidated balance sheets. The obligation to repurchase the securities sold, if any at the end of the period, is classified as other financial liabilities and is presented as “Securities sold under repurchase agreements” in the consolidated balance sheets. The interest expense associated with this obligation is included in “Interest expense” in the consolidated statements of comprehensive income.

Investment income recognition
Interest income is recognized on bonds and commercial loans on the accrual basis and includes the amortization of premiums and discounts over the life of the investment using the effective interest rate method. The treatment of recognized gains and losses on disposal of FVTPL and FVTOCI investments is discussed in “Financial assets measured at fair value through profit or loss” and “Equity instruments measured at fair value through other comprehensive income” above.

Dividend income is recognized on the ex-dividend date.

(f) Distribution revenues

Distribution revenues include commission revenues received from external insurance providers by the Company’s consolidated brokers and are recognized on an accrual basis.

(g) Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes amounts directly attributable to the acquisition of the items of property and equipment. Subsequent costs are added to the cost of the asset only when it is probable that economic benefits will flow to the Company in the future and the cost can be reliably measured.

Property and equipment are depreciated over their expected useful lives on a straight-line basis to their residual value. Each component of property and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately. Depreciation is recognized in either “Insurance service expenses” or “Other expenses” in the consolidated statements of income. Residual values, depreciation rates, and useful lives are reviewed at least annually and adjusted, if appropriate, at the reporting date. Land is not subject to depreciation and is carried at cost.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(g) Property and equipment (continued)

Estimated useful lives are as follows:

Buildings – structure	50 years
Buildings – infrastructure	25 years
Buildings – fixtures	15 years
Furniture and equipment	5 years
Computer equipment	4 years
Right-of-use assets	Lesser of the lease term and useful life

Property and equipment are derecognized upon disposal or when no further future economic benefits are expected from their use or disposal. Gains and losses on disposal are calculated as the difference between proceeds and net carrying value. Fully depreciated property and equipment are retained in cost and accumulated depreciation accounts until such assets are removed from service.

(h) Leases

The Company recognizes a right-of-use asset and a corresponding lease liability in the consolidated balance sheets with respect to all lease arrangements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. For short-term and low-value leases, the Company recognizes the lease payments in either “Insurance service expenses” or “Other expenses” in the consolidated statements of income on a straight-line basis over the term of the lease unless another systemic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are initially measured at the present value of the lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses an estimate of its incremental borrowing rate at the commencement of the lease. Lease payments are allocated between interest expense and a reduction of the outstanding lease liability. Lease liabilities are recognized in “Accounts payable and other liabilities” in the consolidated balance sheets.

At the commencement date of the lease, the cost of right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement date, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. These assets are depreciated over the shorter of the lease term or their useful life. Right-of-use assets are recognized in “Property and equipment” in the consolidated balance sheets. Incentives received from the lessor, such as rent-free periods, are recognized as part of the measurement of the right-of-use assets and lease liabilities.

Interest expense and depreciation expense are recognized in either “Insurance service expenses” or “Other expenses” in the consolidated statements of income.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition, and include assets such as brand, distribution network, and customer relationships. Intangible assets include capitalized software costs, where the software is not integral to the hardware on which it operates. Costs that are directly attributable to the development and testing of identifiable and unique software products controlled by the Company are recognized in software when the criteria specified in International Accounting Standard ("IAS") 38 – *Intangible Assets* ("IAS 38") are met. Capitalized costs include employee costs for staff directly involved in software development and other direct expenditures related to the project. Other development expenditures that do not meet the capitalization criteria under IAS 38 are recognized as an expense as incurred. Following the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful economic life. Amortization is recorded in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income. The useful lives for intangible assets with finite useful lives are reviewed at least annually. Intangible assets with indefinite lives and intangible assets that are under development are not amortized, but are tested at least annually for impairment.

Estimated useful lives are as follows:

Brand	Indefinite
Registry agent license	Indefinite
Distribution network	11 years
Customer relationships	8 – 15 years
Software	1 – 10 years

(j) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that its non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company compares the asset's recoverable amount to the asset's carrying value. For the purposes of testing, assets are grouped into the lowest level in which cash inflows are largely independent of those from other assets or groups of assets. The recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units.

The Company performs a goodwill impairment review at least annually and whenever there is an indication that goodwill may be impaired. The recoverable amount of each CGU has been determined based on the value in use ("VIU") using a discounted cash flow model. Impairment occurs when the carrying amount of the CGU exceeds the recoverable amount, in which case goodwill impairment is recognized prior to impairing other assets. Any impairment of goodwill or other assets is recorded in "Other expenses" in the consolidated statements of income in the year that such an impairment becomes evident. Previously recorded impairment losses for goodwill are not reversed in future years if the recoverable amount increases.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(j) Impairment of non-financial assets (continued)

Investments in associates
After application of the equity method, the Company determines whether there are any indicators of an impairment loss of the Company's investments in associates. If there is objective evidence of impairment, the Company calculates the recoverable amount of the associate. The amount by which the carrying amount exceeds the recoverable amount is the impairment loss recognized in the consolidated statements of income in "Other expenses".

(k) Income taxes

Income tax expense is comprised of current and deferred income tax. Income tax is recognized in net income except to the extent that it relates to items recognized in other comprehensive income ("OCI") or directly to retained earnings.

Current income tax is the expected tax payable or receivable calculated on the taxable income or loss for the period, based on income tax laws and rates enacted or substantively enacted as at the reporting date. Interest income or expenses arising on tax assessments, if any, are included in "Other expenses" in the consolidated statements of income.

Deferred income tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their respective carrying amounts for financial reporting purposes at the reporting date. Deferred income tax is calculated using income tax laws and rates enacted or substantively enacted as at the reporting date, which are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

(l) Pensions, other post-employment benefits and other employee benefits

The Company provides certain pension and other post-employment benefits to eligible participants upon retirement.

Pension benefits
The Company operates a defined benefit pension plan primarily for certain employees hired prior to January 1, 2002, which requires contributions to be made to a separately administered fund. The benefit is based on the employee's length of service and final average pensionable earnings. The cost of the defined benefits is actuarially determined and accrued using the projected unit credit valuation method pro-rated on service. This method involves the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate, and management's best estimates concerning such factors as salary escalation and retirement ages of employees. Costs recognized in the consolidated statements of income include the cost of pension benefits provided in exchange for employees' services rendered during the year, and the net interest cost calculated by applying a discount rate to the net defined benefit obligation. Actuarial gains and losses are recognized in full in OCI in the consolidated statements of comprehensive income in the year in which they occur and then immediately in retained earnings. They are not reclassified to net income in subsequent years. Past service costs, which are a result of a plan amendment or curtailment, are recognized in "Other expenses" in the consolidated statements of income when the amendment or curtailment has occurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(l) Pensions, other post-employment benefits and other employee benefits (continued)

Pension benefits (continued)
The defined benefit asset or liability comprises the fair value of plan assets less the defined benefit obligation out of which the obligations are to be settled directly. This is recorded in the consolidated balance sheets in "Other assets" if the balance is in an asset position, and is recorded in "Accounts payable and other liabilities" if the balance is in a liability position. Plan assets are held by a long-term employee benefit fund and are not available to creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published closing price. The value of any defined benefit asset 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.

The Company also has a defined contribution pension plan for certain employees, for which Company contributions are expensed in the year. The Company has no further payment obligations once the Company contributions and applicable administration fees have been paid.

Non-pension benefits
The Company provides other post-employment benefits for eligible employees hired prior to July 3, 2012. The Company accounts for the cost of all non-pension post-employment benefits, including medical benefits, dental care, and life insurance for eligible retirees, their partners, and qualified dependants, on an accrual basis. These costs are recognized in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income in the year during which services are rendered and are actuarially determined using the projected unit credit valuation method pro-rated on service. This method involves the use of the market interest rate at the measurement date on high-quality debt instruments for the discount rate, and management's best estimates concerning such factors as salary escalation, retirement ages of employees, and expected health care costs. The impact of a plan curtailment is recognized in "Other expenses" in the consolidated statements of income when an event giving rise to a curtailment has occurred.

Actuarial gains and losses, except for long-term disability benefits, are recognized in full in OCI in the year in which they occur and then immediately in retained earnings. They are not reclassified to net income in subsequent years. Actuarial gains and losses for long-term disability benefits are recognized in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income.

The accumulated value for non-pension post-employment benefits is recorded in the consolidated balance sheets in "Accounts payable and other liabilities".

Termination benefits
Termination benefits are payable when employment is terminated, without cause, by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognizes costs for a restructuring that is within the scope of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Short-term incentive plan
The Company recognizes a liability and an expense for bonuses based on a formula that takes into consideration various financial metrics and qualitative performance criteria. The Company recognizes a provision when contractually obliged or where there is a past practice that has created a reasonable expectation of a constructive obligation.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(m) Provisions

Provisions, including restructuring provisions, are recognized when the Company determines that there is a present legal or constructive obligation as a result of a past event or decision, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(n) Share-based compensation plans

Long-term incentive plan
Under the Long-Term Incentive Plan of the Company ("LTIP"), which became effective as of November 23, 2021, share units (restricted share units ("RSUs") or performance share units ("PSUs")) are granted to certain employees, with a unit value based on the volume weighted average trading price of the Company's common shares during the five trading days immediately preceding the grant date. The RSUs and PSUs vest generally over three years after the grant date. The number of PSUs that ultimately vest is dependent on the Company's performance relative to certain performance criteria. The method of settlement, cash or shares, is determined at the discretion of the Board of Directors of the Company (or a committee thereof). Once vested, the RSUs and PSUs are generally expected to be settled in shares. There is a floor mechanism in place to ensure that the PSUs do not pay when performance is below a minimum threshold.

The value of the equity-settled awards on the grant date is recognized as an expense over the vesting period in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income, with a corresponding increase to contributed surplus. The Company re-estimates the number of awards that are expected to vest at each reporting period.

Deferred share unit plans
The Company has deferred share unit plans in place, which became effective as of November 23, 2021, in which non-employee directors and certain executives of the Company are eligible to elect to receive all or a portion of their annual remuneration or incentive compensation, respectively, in the form of deferred share units ("DSUs"), cash, or any combination thereof. The unit value of each DSU at the time of grant is equal to the volume weighted average trading price of the Company's common shares during the five trading days immediately preceding the grant date. The DSUs may be redeemed only when the director or executive ceases to be employed by the Company but generally do not have other vesting criteria. DSUs are settled in cash based on the weighted average trading price of the Company's common shares during the five trading days immediately preceding the redemption date.

The DSUs are cash-settled awards with the associated liability recognized in "Accounts payable and other liabilities". The DSU liability is remeasured at the end of each reporting date based on the volume weighted average trading price of the Company's common shares during the immediately preceding five trading days, with any changes in fair value recognized in "Other expenses" in the consolidated statements of income.

Share ownership plan
Effective as of November 23, 2021, under the Definity Share Ownership Plan ("DSOP"), employees may elect to make personal contributions to the DSOP up to a maximum of 10% of the employee's base salary to purchase the Company's common shares. Where an employee has made a personal contribution, the Company will match the contribution up to an annual maximum amount as periodically determined by the Company. The Company's common shares are purchased on the open market by a third-party administrator using the personal and Company contributions. The Company's contribution to the DSOP is recorded as an expense in either "Insurance service expenses" or "Other expenses" in the consolidated statements of income at the time of the contribution.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(n) Share-based compensation plans (continued)

Stock option plan
The Company has a stock option plan in place for certain employees, which became effective as of November 23, 2021. Under the terms of the plan, options to purchase common shares of the Company can be granted at an exercise price that shall not be lower than the market price on the date the option is granted. The market price is determined using the volume weighted average trading price of the Company's common shares during the five trading days immediately preceding the date of the grant. The term of an option shall not exceed ten years from the date the option is granted.

The fair value of options granted is measured using an option pricing model. The expense is recognized over the vesting period in "Other expenses" in the consolidated statements of income, with a corresponding increase to contributed surplus. When options are exercised, new common shares are issued, and the amount of contributed surplus along with the proceeds on exercise is recorded in share capital.

(o) Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented, unless stated otherwise, in millions of Canadian dollars, which is also the functional currency of the Company. Each entity within the consolidated group determines its own functional currency based upon the currency used in the entity's primary operating environment, and measures financial results based on that functional currency.

Translation of foreign subsidiaries' accounts
Assets and liabilities of the Company's foreign subsidiaries are translated from their functional currencies into Canadian dollars at the exchange rate in effect at the reporting date.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenues and expenses are translated at the monthly weighted average rate prevailing during the year. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recorded in OCI. On the disposal of a foreign operation, the cumulative amount of exchange differences relating to that operation is recognized in net income.

Translation of foreign currency transactions
Transactions incurred in currencies other than the functional currency of the reporting entity are converted to the functional currency at the rate in effect on the transaction date. Monetary assets and liabilities denominated in a currency other than the functional currency are converted to the functional currency at the exchange rate in effect at the reporting date. Unrealized foreign currency gains and losses on FVTOCI financial instruments are included in OCI. All other foreign currency gains and losses are included in net income.

(p) Embedded derivatives

At least annually, the Company conducts a search for embedded derivatives within its significant contracts. No material embedded derivatives were identified that required bifurcation.

(q) Comparative figures

Certain comparative figures have been reclassified from statements previously presented to conform to the presentation of the current year's consolidated financial statements.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

In April 2024, the International Accounting Standards Board ("IASB") issued IFRS 18 – *Presentation and Disclosure in Financial Statements* ("IFRS 18") which replaces IAS 1 – *Presentation of Financial Statements* ("IAS 1"). IFRS 18 carries forward many requirements from IAS 1 unchanged. IFRS 18 introduces new requirements on the presentation of specified categories and defined subtotals in the statements of income, disclosure of management-defined performance measures in the notes to the financial statements, and aggregation and disaggregation of financial information in the financial statements. IFRS 18 also makes certain amendments to IAS 7 – *Statement of Cash Flows*. The standard is effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required, with specific transition provisions. The Company is currently assessing the impact of this standard on the presentation and disclosure of its consolidated financial statements.

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 – *Financial Instruments: Disclosures*. The amendments clarify and add further guidance for assessing whether a financial asset meets the SPPI criterion and clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. The amendment also introduced additional disclosure requirements regarding investments in equity instruments designated at FVTOCI and financial instruments with contractual terms that can change cash flows, such as some instruments with features linked to the achievement of environmental, social, and governance targets. The amendments are effective for annual periods beginning on or after January 1, 2026, with earlier application permitted. Retrospective application is required. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities as at the reporting date, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable. The most complex and material judgments, estimates, and assumptions used in preparing the Company's consolidated financial statements are discussed below.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

The Company has applied judgment in its determination of groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently, in the determination of cash flows that relate directly to the fulfilment of insurance contracts, the assessment of the evaluation of current obligations requiring provisions, the determination of CGUs, the identification of the indicators of impairment for property and equipment, goodwill, and intangible assets, the determination of control or significant influence over investees, and the recoverability and recognition of deferred tax assets.

Estimates and assumptions

Management has made a variety of estimates that have had a significant impact in the determination of the carrying amounts of certain key assets and liabilities including, but not limited to, the following:

4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

(a) Valuation of the LIC

The Company has used estimates in the determination of the carrying amount of the LIC. The Company is required by applicable insurance laws, regulations, and IFRS to establish liabilities for payment of claims and claims adjustment expenses that arise from the Company's insurance products. These liabilities, which are included in the LIC, represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the reporting date. The Company establishes its claim liabilities by region, product line, type and extent of coverage, and year of occurrence.

Claim liabilities fall into two categories: reserves for reported claims and provision for incurred but not reported ("IBNR") losses. Additionally, liabilities are held for claims adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

Determining the provision for unpaid claims and adjustment expenses, and the related reinsurers' share involves an assessment of the future development of claims. The estimates are principally based on the Company's historical experience. Methods of estimation have been used which the Company believes produce reasonable results given current information. This process takes into account the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claim arises, and the delays in reporting claims. Claim liabilities include estimates subject to variability, which could be material. Changes to the estimates could result from future events such as receiving additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from past trends.

In general, the longer the term required for the settlement of a group of claims, the greater the potential for variability in the estimate. Any future changes in estimates would be reflected in the consolidated statements of income in the year in which the change occurred.

The AIC includes amounts for expected recoveries from reinsurers related to claim liabilities. Amounts recoverable from reinsurers are evaluated in a manner consistent with the provisions of the reinsurance contracts. The failure of reinsurers to honour their obligations could result in losses to the Company, as the ceding of insurance does not relieve the Company of its primary liability to its insured parties.

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the associated insurance contracts. The Company generally determines the risk-free rates based on Government of Canada zero-coupon bonds. The risk-free yield curves are adjusted by an illiquidity premium using a reference portfolio to reflect the liquidity characteristics of the associated insurance contracts. The selection of reference portfolios is based on market instruments that reasonably reflect the nature of the associated insurance contracts in terms of amount, timing, currency, and liquidity.

Discount rates applied for discounting of future cash flows are listed below as at December 31:

Yield curve	Insurance contracts issued / Reinsurance contracts held							
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years*
2024	4.0%	4.2%	4.2%	4.3%	4.3%	4.4%	4.5%	4.7%
2023	6.0%	5.2%	4.8%	4.6%	4.5%	4.4%	4.4%	4.5%

*Weighted average of the future discount rates for year 8 and beyond based on discounted future payments of claim liabilities (excluding risk adjustment for non-financial risks).

4. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

(a) Valuation of the LIC (continued)

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer.

The Company has estimated the risk adjustment using a value-at-risk confidence level method to generally be in the range of the 75th to 80th percentile of the stochastically simulated results. This analysis has also been adjusted for correlation between different reserving segments, and the diversification between them.

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

Note 9 contains additional analysis of the impact of the key assumptions on the net of LIC and AIC.

(b) Impairment of long-lived assets

The Company determines whether long-lived assets are impaired on an annual basis or more frequently if there are indicators of potential impairment. Impairment testing of long-lived assets requires an estimation of the recoverable amount of the CGUs to which the assets are allocated. See note 12 for further discussion of impairment testing of goodwill and intangible assets with indefinite lives.

(c) Valuation of post-employment benefits obligation

The projected cost of defined benefit pension plans and other non-pension future benefits is determined using actuarial valuations performed by external pension actuaries. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rate, expected health care costs, inflation, and future pension increases. The details of the assumptions are disclosed in note 21. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Actual experience that differs from the assumptions will affect the amounts of the benefit obligation recognized in the consolidated balance sheets, the expense recognized in net income in the consolidated statements of income, and actuarial gains or losses recognized in OCI (or in insurance service expenses or other expenses as discussed in note 2) in the consolidated statements of comprehensive income.

(d) Measurement of income taxes

The Company is subject to income tax laws in various federal and provincial jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the taxpayer and the relevant tax authority. To the extent that the Company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty.

5. BUSINESS COMBINATIONS

During 2024, the Company's subsidiary McDougall completed several broker acquisitions for total cash and share consideration of approximately $195 million (subject to post-closing adjustments). The initial purchase price of the acquisitions was funded with cash of $164 million, net of holdbacks for post-closing adjustments, and $23 million in equity subscriptions in McDougall. Upon completion of the broker acquisitions during 2024, the Company's ownership interest in McDougall was approximately 76% (2023: 77%).

The allocation of the purchase price of the acquisitions to the fair value of assets acquired and liabilities assumed as at the acquisition dates included customer relationships of $88.8 million, brands of $10.5 million, deferred tax liabilities of $23.4 million, and a residual of $113.9 million allocated to goodwill. The fair value of the customer relationships was based on the multi-period excess earnings method. Key estimates and assumptions included estimating growth rates and profitability, contributory asset charges, and the discount rates which were based on the brokers' weighted-average cost of capital. The acquired customer relationships are being amortized on a straight-line basis over 15 years. The fair value of the brands was based on the relief from royalty method and the brands were assessed as having an indefinite useful life. Key estimates and assumptions included the growth rate and the discount rate. The goodwill was attributable to expected growth and profitability contributions and the workforce of the acquired businesses. The goodwill arising from the acquisitions is not deductible for income tax purposes.

During 2023, the Company's subsidiary McDougall completed the following notable broker acquisitions:

(a) McFarlan Rowlands Insurance Brokers Inc.

On May 8, 2023, the Company's subsidiary McDougall acquired 100% of the shares of McFarlan Rowlands Insurance Brokers Inc. and affiliated entities ("McFarlan Rowlands") for cash and share consideration of approximately $234 million. The initial purchase price was funded with cash of $190 million, of which approximately $75 million was drawn on the Company's credit facility, and $44 million in equity subscriptions in McDougall by McFarlan Rowlands' shareholders. McFarlan Rowlands is a leading Ontario-based insurance brokerage, with over 200 employees in 18 office locations across southwestern Ontario, and over $200 million in annual premiums. In addition to its P&C brokerage operations, McFarlan Rowlands also has expertise in claims adjusting, life and group benefits brokering, and investment counselling and portfolio management services.

The Company incurred acquisition-related costs of $0.8 million in 2023, which is included in "Other expenses" in the consolidated statements of income related to the acquisition. The Company recognized $29.7 million in revenue (included in "Distribution revenues") and $4.0 million of net income from the acquisition in the consolidated statements of income in 2023. Net income is after the inclusion of intangible asset amortization of $2.9 million in 2023, net of income taxes.

The allocation of the purchase price of the acquisition to the fair value of assets acquired and liabilities assumed as at the acquisition date was as follows:

(*in millions of dollars*)

Purchase price consideration (net of cash acquired of $2.4 million)	$	231.4
Allocated to:		
Property and equipment		14.8
Other assets		7.0
Accounts payable and other liabilities		(1.4)
Income taxes payable		(3.0)
Deferred income tax liabilities		(32.4)
Net identifiable tangible liabilities acquired		(15.0)
Customer relationships		101.4
Brand		14.0
Goodwill		131.0
	$	231.4

5. BUSINESS COMBINATIONS (continued)

(b) Drayden Insurance Ltd.

On October 3, 2023, the Company's subsidiary McDougall completed the acquisition of 100% of the shares of Drayden Insurance Ltd. ("Drayden") for $208 million. The transaction was funded by the Company, through McDougall, using a combination of excess capital and the issuance to selling shareholders of shares of McDougall. Founded in 1965, Drayden is a leading Alberta insurance broker with approximately $125 million in annual premiums and strong operating margins. Through its insurance broker and government registry service operations, Drayden employs over 170 people across eight locations in the Edmonton area.

The Company incurred acquisition-related costs of $1.2 million in 2023, which is included in "Other expenses" in the consolidated statements of income related to the acquisition. The Company recognized $6.0 million in revenue (included in "Distribution revenues") and $2.0 million of net income from the acquisition in the consolidated statements of income in 2023. Net income is after the inclusion of intangible asset amortization of $1.2 million in 2023, net of income taxes.

The allocation of the purchase price of the acquisition to the fair value of assets acquired and liabilities assumed as at the acquisition date was as follows:

(*in millions of dollars*)

Purchase price consideration (net of cash acquired of $1.0 million)	$	207.5
Allocated to:		
Property and equipment		4.9
Other assets		6.7
Accounts payable and other liabilities		(5.0)
Income taxes payable		(2.3)
Deferred income tax liabilities		(29.0)
Net identifiable tangible liabilities acquired		(24.7)
Customer relationships		98.5
Brand		8.7
Registry agent license		20.7
Goodwill		104.3
	$	207.5

6. INVESTMENTS

(a) Investment income and balances

Total investment income recognized in net income and OCI by financial instrument classification was as follows:

(in millions of dollars)	2024		
	FVTPL	FVTOCI	Total
Interest	$ 166.8	$ -	$ 166.8
Dividends	27.1	10.6	37.7
Investment expenses	-	-	(6.3)
Net investment income	193.9	10.6	198.2
Recognized gains on:			
Short-term investments	0.4	-	0.4
Bonds	53.9	-	53.9
Preferred stocks	28.8	-	28.8
Common stocks	119.9	-	119.9
Pooled funds	11.2	-	11.2
Commercial loans	0.2	-	0.2
Recognized gains on FVTPL investments in net income	214.4	-	214.4
Recognized gains on investments in OCI	-	30.9	30.9
	$ 408.3	$ 41.5	$ 443.5

(in millions of dollars)	2023		
	FVTPL	FVTOCI	Total
Interest	$ 149.6	$ -	$ 149.6
Dividends	24.7	11.1	35.8
Investment expenses	-	-	(5.9)
Net investment income	174.3	11.1	179.5
Recognized gains (losses) on:			
Short-term investments	0.5	-	0.5
Bonds	78.1	-	78.1
Preferred stocks	5.0	-	5.0
Common stocks	60.1	-	60.1
Pooled funds	8.4	-	8.4
Commercial loans	(0.3)	-	(0.3)
Recognized gains on FVTPL investments in net income	151.8	-	151.8
Recognized gains on investments in OCI	-	8.5	8.5
	$ 326.1	$ 19.6	$ 339.8

Investment carrying values by financial instrument classification were as follows:

(in millions of dollars)	2024		
	FVTPL	FVTOCI	Total
Short-term investments	$ 97.4	$ -	$ 97.4
Bonds:			
Government	2,555.9	-	2,555.9
Corporate	1,487.2	-	1,487.2
Preferred stocks	143.7	182.8	326.5
Common stocks	698.4	-	698.4
Pooled funds	88.9	-	88.9
Commercial loans	16.2	-	16.2
	$ 5,087.7	$ 182.8	$ 5,270.5

6. INVESTMENTS (continued)

(a) Investment income and balances (continued)

(in millions of dollars)	2023		
	FVTPL	FVTOCI	Total
Short-term investments	$ 137.0	$ -	$ 137.0
Bonds:			
Government	2,447.3	-	2,447.3
Corporate	1,325.7	-	1,325.7
Preferred stocks	149.1	183.7	332.8
Common stocks	595.5	-	595.5
Pooled funds	74.7	-	74.7
Commercial loans	18.0	-	18.0
	$ 4,747.3	$ 183.7	$ 4,931.0

The fair value of the FVTOCI preferred stocks disposed of during 2024 was $45.3 million (2023: $38.6 million).

The fair value yield as at December 31, 2024 for the bond portfolio was 3.36% (2023: 4.01%).

(b) Financial instruments measured at fair value

The Company categorizes its fair value measurements according to a three-level hierarchy, which prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The Company recognizes transfers between the levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The three levels of the fair value hierarchy are defined as follows:

(i) Level 1 fair value measurements reflect unadjusted, quoted prices in active markets for identical assets, and liabilities that the Company has the ability to access at the measurement date. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1 and into Level 2 or Level 3 as appropriate. Included in the Level 1 category are exchange-traded derivatives and all stocks, both common and preferred, except the pooled funds.

(ii) Level 2 fair value measurements use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable but are not prices such as interest rates and credit risks and inputs that are derived from or corroborated by observable market data. Included in the Level 2 category are all bonds which are valued on a discounted cash flow basis, the equity pooled funds which are valued based on quoted prices of the underlying securities in an active market, and short-term investments which are valued on a discounted cash flow basis. The inputs into the discounted cash flow model for the bonds and short-term investments are an estimate of the expected cash flows discounted at a pre-tax risk-free rate plus an appropriate adjustment for credit risk.

(iii) Level 3 fair value measurements use significant non-market observable inputs, including assumptions about risk or liquidity. Included in the Level 3 category are private debt pooled funds and commercial loans.

For private debt pooled funds, the fair value for each security within the pooled funds is determined by the managers engaging valuation service providers as well as internal valuation techniques, such as discounted cash flow models, the use of a credit spread based on the terms of the security, and adjustments to the credit and yield as the managers deem relevant in the circumstances. The fair value of commercial loans is measured on a discounted cash flow basis at the current market interest rate for comparable financial instruments with similar terms and risks.

6. INVESTMENTS (continued)

(b) Financial instruments measured at fair value (continued)

Distribution of financial instruments measured at fair value in the three-level hierarchy was as follows:

(in millions of dollars)	2024			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 97.4	$ -	$ 97.4
Bonds	-	4,043.1	-	4,043.1
Preferred stocks	326.5	-	-	326.5
Common stocks	698.4	-	-	698.4
Pooled funds	-	55.4	33.5	88.9
Commercial loans	-	-	16.2	16.2
	$ 1,024.9	$ 4,195.9	$ 49.7	$ 5,270.5

(in millions of dollars)	2023			
	Level 1	Level 2	Level 3	Total
Short-term investments	$ -	$ 137.0	$ -	$ 137.0
Bonds	-	3,773.0	-	3,773.0
Preferred stocks	332.8	-	-	332.8
Common stocks	595.5	-	-	595.5
Pooled funds	-	48.4	26.3	74.7
Commercial loans	-	-	18.0	18.0
	$ 928.3	$ 3,958.4	$ 44.3	$ 4,931.0

There were no transfers of financial instruments between the levels during the year (2023: nil).

Investments in equity and debt instruments are not subject to an impairment assessment, as they are measured at FVTPL or FVTOCI without recycling of fair value changes to net income.

(c) Securities lending

The Company participates in a securities lending program managed by a major financial institution, whereby the Company lends securities it owns to borrowers to allow them to meet delivery commitments. The lending agents assume the risk of borrower default associated with the lending activity. As at December 31, 2024, securities with an estimated fair value of $780.3 million (2023: $831.8 million) have been loaned and financial assets with an estimated fair value of $828.9 million (2023: $884.5 million) have been received as collateral from the approved borrowers. Lending collateral as at December 31, 2024 was 100.0% (2023: 100.0%) held in government-backed securities and high quality common and preferred stocks. The securities loaned under this program have not been removed from “Investments” in the consolidated balance sheets because the Company retains the risks and rewards of ownership.

The financial compensation the Company receives in exchange for securities lending, amounting to $1.0 million (2023: $1.1 million), is reflected in the consolidated statements of income in “Net investment income”.

6. INVESTMENTS (continued)

(d) Derivative financial instruments

The Company holds futures contracts, which are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organized market. The futures contracts are exchange-traded and collateralized by cash. As at December 31, 2024, the Company had derivative financial assets with a notional amount of $145.8 million (2023: $103.4 million). These derivatives have an expected maturity date within the next year. The fair value of the derivative financial instruments was not significant.

Fair values of exchange-traded derivatives are based on quoted market prices. Equity or bond index futures are standardized contracts transacted on an exchange. They are based on an agreement to pay or receive a cash amount based on the difference between the contracted price level of an underlying stock or bond index and its corresponding market price level at a specified future date. There is generally no actual delivery of stocks or bonds that comprise the underlying index. These contracts are in standard amounts with standard settlement dates.

7. FINANCIAL RISK MANAGEMENT

The Company's financial instruments, including investments, are exposed to variability from interest rate risk (including the impact of credit spreads), equity market price risk and preferred stock price risk, credit risk, foreign exchange risk, and liquidity risk. The Company's Investment Policy Statement ("IPS") establishes asset mix parameters and risk limits which minimize undue exposure to these risks in the investment portfolio. The IPS is reviewed at least annually by the Executive Investment Committee. Compliance with the IPS is monitored quarterly by the Executive Investment Committee.

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of assets and liabilities as they either mature or are contractually repriced. Changes in interest rates can occur from both changes in the Government of Canada bond yield curve and changes in relevant market credit spreads. Typically, interest income will be reduced during sustained periods of declining interest rates, but this will also generally increase the fair value of the bond portfolio. The opposite is true during a sustained period of increasing interest rates.

Interest rate risk is a significant risk to the Company due to the nature of its investments, LIC, and AIC. The impact of changes in the measurement of the Company's LIC and AIC due to changes in the market rates underlying the yield curves used for discounting are mitigated to some extent by the impact of interest rate changes on the Company's bond portfolio. The effect of interest rate risk associated with discounting the LIC and AIC is disclosed in note 9.

The impact of an immediate hypothetical one percentage point change in interest rates (assuming a parallel shift across the yield curve) on the Company's bond portfolio, with all other variables held constant, is as follows:

(in millions of dollars)	2024		2023	
Change in interest rate (on the measurement of the Company's bond portfolio)	+ 1 pt	-1 pt	+ 1 pt	- 1 pt
Impact on income before income taxes	$ (156.2)	$ 175.2	$ (145.4)	$ 162.3

7. FINANCIAL RISK MANAGEMENT (continued)

(b) Common equity market price risk and preferred stock price risk

General economic conditions, stock market conditions, investor sentiment, and many other factors can positively or adversely impact the equity markets and, consequently, the value of equity investments the Company holds. The Company's investment portfolio includes Canadian common stocks with fair value movements that are benchmarked against movements in the S&P/TSX 60 Index, foreign stocks and equity pooled funds with fair values that are benchmarked against movements in the MSCI World Index, and private debt pooled funds with fair values that are benchmarked against movements in the FTSE Canada Short Term Corporate Bond Index. Also included in the investment portfolio are the Company's holdings of preferred stocks. Economic trends, interest rates, credit conditions, regulatory changes, and other factors can positively or adversely impact the value of preferred stocks that the Company holds. The fair value sensitivity of the Company's preferred stocks is assessed against movements in the Solactive Canadian Rate Reset Preferred Share Index.

The estimated impact of a 10% movement in the benchmark indices to the value of the Company's equity portfolio, with all other variables held constant, to the extent the Company does not dispose of any of these equities during the year, is as follows:

(in millions of dollars)	2024		2023	
Change in the benchmark indices (on the measurement of the Company's equity portfolio)	+ 10%	- 10%	+ 10%	- 10%
Impact on income before income taxes related to:				
Canadian stocks	$ 47.3	$ (47.3)	$ 42.2	$ (42.2)
Foreign stocks and pooled funds	$ 29.3	$ (29.3)	$ 24.3	$ (24.3)
FVTPL preferred stocks	$ 9.7	$ (9.7)	$ 13.2	$ (13.2)
Impact on recognized gains on FVTOCI investments related to:				
FVTOCI preferred stocks	$ 12.3	$ (12.3)	$ 16.3	$ (16.3)

(c) Credit risk

Credit risk is the risk of financial loss caused by the Company's counterparties not being able to meet payment obligations as they become due. The Company's credit risk arises primarily in the bond, preferred stock and commercial loan portfolios, the securities lending program, amounts due from policyholders, amounts owing from reinsurers, and structured settlements. Unless otherwise stated, the Company's credit exposure is limited to the carrying amount of these assets. The Company's principal approach to mitigate credit risk is to maintain high credit quality standards and to diversify credit exposures by limiting single name concentrations. Concentration risk also exists where multiple counterparties may be financially affected by changing economic conditions in a similar manner. As noted below, the Company has a concentration of investments in Canada and within the financial services sector. These risk concentrations are regularly monitored and adjusted as deemed necessary.

Bonds and preferred stocks

The Company manages its credit risk associated with bonds and preferred stocks by investing in bonds and preferred stocks that are primarily of high credit quality, and limits exposure with respect to any one issuer. On a regular basis, the Company also monitors publicly available information referencing the investments held in the investment portfolio to determine whether there are investments which require closer monitoring of the credit risk.

Of the bonds held as at December 31, 2024, 85.8% (2023: 85.2%) were rated "A-" or better and 90.8% (2023: 81.4%) of the preferred stocks were rated "P2L" or better. "A-" and "P2L" represent the ratings provided by a recognized rating service for high-grade bonds and preferred stocks, respectively.

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Of the preferred stocks and corporate bonds held, the industry of issuer was as follows:

	2024	2023
Financial services	52.9%	49.8%
Energy	14.9%	14.2%
Communication services	10.2%	11.6%
Utilities	6.5%	7.1%
Industrials	6.1%	6.9%
Consumer discretionary	2.8%	3.7%
Other	6.6%	6.7%
	100.0%	100.0%

Of the preferred stocks and bonds held, the country of issuer was as follows:

	2024	2023
Canada	98.9%	99.1%
United States	1.1%	0.9%
	100.0%	100.0%

Securities lending
As disclosed in note 6, the Company participates in a securities lending program. The Company manages credit risk associated with this program by obtaining indemnification against security borrower counterparty default from the major financial institution and by obtaining collateral with a fair value in excess of the value of the securities loaned under the program. The ratio of fair value of collateral obtained in excess of the fair value of the securities loaned as at December 31, 2024 was 106.2% (2023: 106.3%).

Amounts due from policyholders
The Company's credit exposure to any one individual policyholder or broker is not significant. The Company regularly monitors amounts due from policyholders and follows up on all overdue accounts. As permitted by legislation, when premiums are overdue for an extended period of time the Company cancels the insurance coverage under the applicable policy. Before a broker is granted a contract, due diligence reviews are conducted by the Company. Delinquent accounts are regularly monitored, and the Company takes action against non-payment. The allowance for doubtful accounts in the current and comparative periods is immaterial as overdue receivables are not significant.

Commercial loans
The Company periodically issues commercial loans to brokers. Collateral, principally in the form of security over a borrowing brokerage's operating assets, is held to protect the Company against loss in the event of a default of any of these loans. Annually, and where required more frequently, financial reviews are undertaken to determine if the broker is expected to be able to make the payments required by the loan as and when due.

Reinsurance contract assets
Credit exposures on the Company's reinsurance contract assets exist to the extent that any reinsurer may not be willing or able to reimburse the Company under the terms of the relevant reinsurance arrangements. The Company has policies which limit the exposure to individual reinsurers and a regular review process to assess the creditworthiness of reinsurers from whom the Company purchases coverage. The Company's reinsurance risk management policy significantly restricts the use of reinsurers with credit ratings less than "A-".

7. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

Reinsurance contract assets (continued)
As at December 31, 2024, 97.7% (2023: 97.6%) of the Company's reinsurers have a credit rating of "A-" or better as determined by independent rating agencies. Where appropriate, the Company obtains collateral for outstanding balances in the form of cash, letters of credit, offsetting balances payable, guarantees, or assets held under reinsurance security agreements. The Company has recorded an allowance for losses on amounts due from reinsurers of $0.5 million (2023: $0.5 million).

Structured settlements
The Company has purchased annuities from life insurers to provide for fixed and recurring payments to claimants. As a result of these arrangements, the Company is exposed to credit risk to the extent to which any of the life insurers fail to fulfil their obligations. This risk is managed by acquiring annuities from multiple life insurers with proven financial stability, most of which are rated "A-" or better by independent rating agencies. As at December 31, 2024, no information has come to the Company's attention that would suggest any weakness or failure in life insurers from which it has purchased annuities. Consequently, no provision for credit risk was recorded in 2024 (2023: nil). The original purchase price of the outstanding annuities was $227.8 million (2023: $232.5 million).

(d) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset or liability will fluctuate due to changes in foreign exchange rates relative to the Canadian dollar. The Company's foreign exchange risk relates primarily to its foreign common stock and pooled fund holdings, which are denominated in various foreign currencies.

The Company's largest foreign currency exposure is to the US dollar. The estimated impact on the fair value of US dollar foreign stocks and pooled funds, and income before income taxes from a 10% change in the US dollar relative to the Canadian dollar is $19.5 million (2023: $15.5 million). Under this same scenario, the impact on the fair value of non-US dollar foreign stocks and pooled funds, and income before income taxes is $2.4 million (2023: $2.4 million), assuming historical correlations between currency pairs remain intact.

(e) Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations, particularly those related to claim payments. Currently, the liquidity requirements of the Company's business are met primarily by funds generated from operations, asset maturities, and investment returns. Liquidity risk arises in relation to each of those funding sources. Cash provided from these sources normally exceeds cash requirements to meet claim payments and other operating expenses. To mitigate liquidity risk, and to satisfy the Company's operational requirements, the Company has invested a portion of its assets in short-term (less than one year) highly-liquid money market securities, and the Company has access to a revolving credit facility, as disclosed in note 15, subject to compliance with covenants. The Company has a highly-liquid investment portfolio with a large portion of invested assets in highly-liquid federal and provincial government debt to protect against any unanticipated large cash requirements.

As at December 31, 2024, the Company had $322.1 million (2023: $197.5 million) of cash and cash equivalents and $97.4 million (2023: $137.0 million) of short-term investments. The Company also has a highly liquid investment portfolio. As at December 31, 2024, Canadian fixed income investments issued or guaranteed by domestic governments, investment-grade corporate bonds, publicly traded Canadian and foreign equities, and the pooled funds had a fair value of $5,125.7 million (2023: $4,694.0 million).

7. FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

The tables below summarize the maturity profile of the financial assets and financial liabilities of the Company, as well as the maturity profile of the LIC. For the LIC, maturity profiles are determined based on estimated timing of the remaining contractual net cash flows on an undiscounted basis, excluding the risk adjustment for non-financial risk. Commercial loans and lease liabilities are also presented on an undiscounted basis.

(in millions of dollars)	2024						
	Under 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years or no fixed maturity	Total
Assets:							
Cash and cash equivalents	$ 322.1	$ -	$ -	$ -	$ -	$ -	$ 322.1
Short-term investments	97.4	-	-	-	-	-	97.4
Bonds	290.8	597.4	571.4	629.1	507.2	1,447.2	4,043.1
Preferred stocks	57.4	18.5	78.2	81.0	90.3	1.1	326.5
Commercial loans	2.3	2.5	2.7	2.9	3.0	3.5	16.9
Accrued investment income	29.8	-	-	-	-	-	29.8
Income taxes receivable	6.7	-	-	-	-	-	6.7
Other receivables	50.8	-	-	-	-	-	50.8
	$ 857.3	$ 618.4	$ 652.3	$ 713.0	$ 600.5	$ 1,451.8	$ 4,893.3
Liabilities:							
LIC undiscounted, excluding risk adjustment	$ 1,149.3	$ 575.9	$ 421.8	$ 351.9	$ 276.2	$ 656.6	$ 3,431.7
Accounts payable and other liabilities[1]	88.1	1.7	1.6	1.5	1.4	18.6	112.9
Lease liabilities	9.2	8.1	6.2	5.0	3.7	11.7	43.9
Income taxes payable	42.3	-	-	-	-	-	42.3
Securities sold under repurchase agreements	110.1	-	-	-	-	-	110.1
Debt outstanding[2]	-	-	-	-	114.3	-	114.3
	$ 1,399.0	$ 585.7	$ 429.6	$ 358.4	$ 395.6	$ 686.9	$ 3,855.2

[1] Accounts payable and other liabilities excludes lease liabilities.
[2] Debt outstanding pertains to the Company's credit facility, as disclosed in note 15, which has a term ending on July 22, 2029 and is subject to annual renewal.

7. FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

(in millions of dollars)	2023						
	Under 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years or no fixed maturity	Total
Assets:							
Cash and cash equivalents	$ 197.5	$ -	$ -	$ -	$ -	$ -	$ 197.5
Short-term investments	137.0	-	-	-	-	-	137.0
Bonds	122.4	788.0	508.1	530.7	460.6	1,363.2	3,773.0
Preferred stocks	99.7	77.4	19.8	61.8	69.6	4.5	332.8
Commercial loans	1.9	2.1	2.3	2.5	2.7	7.4	18.9
Accrued investment income	26.8	-	-	-	-	-	26.8
Other receivables	43.9	-	-	-	-	-	43.9
	$ 629.2	$ 867.5	$ 530.2	$ 595.0	$ 532.9	$ 1,375.1	$ 4,529.9
Liabilities:							
LIC undiscounted, excluding risk adjustment	$ 1,186.3	$ 566.8	$ 403.9	$ 329.1	$ 254.2	$ 611.3	$ 3,351.6
Accounts payable and other liabilities[1]	70.0	1.7	1.6	1.6	1.5	19.9	96.3
Lease liabilities	9.3	8.0	7.0	5.6	4.2	13.5	47.6
Income taxes payable	117.9	-	-	-	-	-	117.9
Debt outstanding	-	-	-	-	114.3	-	114.3
	$ 1,383.5	$ 576.5	$ 412.5	$ 336.3	$ 374.2	$ 644.7	$ 3,727.7

[1] Accounts payable and other liabilities excludes lease liabilities.

Note 21(c) contains the maturity profile for other post-employment benefit obligations.

The Company believes that it currently has the flexibility to obtain the funds needed to meet cash requirements on an ongoing basis.

There were no significant changes in the Company's objectives, policies, and processes used to manage and measure the Company's financial risks compared to the previous year.

8. INSURANCE AND REINSURANCE CONTRACTS

(a) Insurance contract liabilities

The roll-forward of the liabilities for insurance contracts issued, showing the liabilities for remaining coverage and the liabilities for incurred claims, is presented in the following tables:

(in millions of dollars)	2024				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities, beginning of year	$ 336.2	$ 23.1	$ 2,962.2	$ 172.3	$ 3,493.8
Insurance revenue	(4,258.4)	-	-	-	(4,258.4)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	-	(34.5)	2,805.9	58.0	2,829.4
Amortization of insurance acquisition cash flows	888.4	-	-	-	888.4
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	(18.3)	(51.9)	(70.2)
Losses on onerous contracts and reversals of such losses	-	25.2	-	-	25.2
Insurance service result	(3,370.0)	(9.3)	2,787.6	6.1	(585.6)
Finance expenses from insurance contracts issued	-	-	166.0	-	166.0
Total changes in the consolidated statements of income	(3,370.0)	(9.3)	2,953.6	6.1	(419.6)
Cash flows:					
Premiums received	4,305.0	-	-	-	4,305.0
Claims and other directly attributable expenses paid	-	-	(2,781.6)	-	(2,781.6)
Insurance acquisition cash flows	(906.9)	-	-	-	(906.9)
Total cash flows	3,398.1	-	(2,781.6)	-	616.5
Other movements	-	-	(87.4)	-	(87.4)
Insurance contract liabilities, end of year	$ 364.3	$ 13.8	$ 3,046.8	$ 178.4	$ 3,603.3

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

(in millions of dollars)	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Insurance contract liabilities, beginning of year	$ 303.3	$ 27.7	$ 3,068.8	$ 177.9	$ 3,577.7
Insurance revenue	(3,850.3)	-	-	-	(3,850.3)
Insurance service expenses:					
Incurred claims and other directly attributable expenses	-	(43.2)	2,601.3	50.5	2,608.6
Amortization of insurance acquisition cash flows	814.2	-	-	-	814.2
Changes in fulfilment cash flows relating to the liabilities for incurred claims	-	-	(28.2)	(56.1)	(84.3)
Losses on onerous contracts and reversals of such losses	-	38.6	-	-	38.6
Insurance service result	(3,036.1)	(4.6)	2,573.1	(5.6)	(473.2)
Finance expenses from insurance contracts issued	-	-	152.4	-	152.4
Total changes in the consolidated statements of income	(3,036.1)	(4.6)	2,725.5	(5.6)	(320.8)
Cash flows:					
Premiums received	3,911.7	-	-	-	3,911.7
Claims and other directly attributable expenses paid	-	-	(2,752.3)	-	(2,752.3)
Insurance acquisition cash flows	(842.7)	-	-	-	(842.7)
Total cash flows	3,069.0	-	(2,752.3)	-	316.7
Other movements	-	-	(79.8)	-	(79.8)
Insurance contract liabilities, end of year	$ 336.2	$ 23.1	$ 2,962.2	$ 172.3	$ 3,493.8

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(a) Insurance contract liabilities (continued)

The composition of the insurance contract liabilities was as follows as at December 31:

(in millions of dollars)	2024	2023
Premiums receivable	$ (1,431.0)	$ (1,271.1)
Unearned premiums	2,134.5	1,928.0
Unearned premiums received	703.5	656.9
Unamortized insurance acquisition cash flows	(339.2)	(320.7)
Onerous loss provision	13.8	23.1
Provision for unpaid claims and other directly attributable payables	3,225.2	3,134.5
	$ 3,603.3	$ 3,493.8

(b) Reinsurance contract assets

The roll-forward of the reinsurance contract assets showing the assets for remaining coverage and the assets for incurred claims is presented in the following tables:

(in millions of dollars)	2024				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of year	$ 45.3	$ -	$ 270.5	$ 14.6	$ 330.4
Allocation of reinsurance premiums	(330.6)	-	-	-	(330.6)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	200.7	7.8	208.5
Changes to amounts recoverable for incurred claims	-	-	20.9	(4.1)	16.8
Net expenses from reinsurance contracts held	(330.6)	-	221.6	3.7	(105.3)
Finance income from reinsurance contracts held	-	-	14.5	-	14.5
Total changes in the consolidated statements of income	(330.6)	-	236.1	3.7	(90.8)
Cash flows:					
Premiums paid	309.1	-	-	-	309.1
Amounts received	-	-	(202.5)	-	(202.5)
Total cash flows	309.1	-	(202.5)	-	106.6
Reinsurance contract assets, end of year	$ 23.8	$ -	$ 304.1	$ 18.3	$ 346.2

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

(in millions of dollars)	2023				
	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	Total
Reinsurance contract assets, beginning of year	$ 18.7	$ -	$ 272.0	$ 14.4	$ 305.1
Allocation of reinsurance premiums	(258.8)	-	-	-	(258.8)
Amounts recoverable from reinsurers for incurred claims:					
Amounts recoverable for incurred claims and other directly attributable expenses	-	-	187.8	5.6	193.4
Changes to amounts recoverable for incurred claims	-	-	22.0	(5.4)	16.6
Net expenses from reinsurance contracts held	(258.8)	-	209.8	0.2	(48.8)
Finance income from reinsurance contracts held	-	-	13.3	-	13.3
Total changes in the consolidated statements of income	(258.8)	-	223.1	0.2	(35.5)
Cash flows:					
Premiums paid	285.4	-	-	-	285.4
Amounts received	-	-	(224.6)	-	(224.6)
Total cash flows	285.4	-	(224.6)	-	60.8
Reinsurance contract assets, end of year	$ 45.3	$ -	$ 270.5	$ 14.6	$ 330.4

The composition of the reinsurance contract assets was as follows as at December 31:

(in millions of dollars)	2024	2023
Premiums ceded payable	$ (34.7)	$ 1.9
Unearned premiums ceded	72.8	52.9
Unearned reinsurance premiums paid	38.1	54.8
Claims recoverable from reinsurance contracts held	322.7	284.7
Unearned reinsurance commissions received	(14.6)	(9.1)
	$ 346.2	$ 330.4

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

(b) Reinsurance contract assets (continued)

The Company follows the policy of underwriting and reinsuring contracts of insurance, which limits the liability of the Company for individual large losses and in the event of a series of claims arising out of a single occurrence and for an aggregation of several such occurrences in the same year. These limits were as follows:

(in millions of dollars)	2024	2023
Individual loss		
Property		
Net company retention[1]	$ 5.0	$ 5.0
Maximum limit[2]	100.0	100.0
Auto and general liability		
Net company retention[1]	4.0	4.0
Maximum limit	40.0	40.0
Catastrophe – primary		
Net company retention[1]	60.0	40.0
Maximum limit[2]	2,075.0	1,950.0
Catastrophe – aggregate		
Annual aggregate deductible[3]	65.0	65.0
Annual aggregate limit[3]	25.0	25.0

[1] Excludes reinstatement premiums, co-participations between the retention level and maximum limit, and tax impacts.

[2] Excludes co-participation.

[3] Contributing event to the annual aggregate deductible and limit was a maximum of $27 million on events above $3 million as at December 31, 2024 (2023: maximum $27 million on events above $3 million).

For catastrophe events, the Company participated an average of 2.7% on layers between the net company retention and the maximum limit as at December 31, 2024 (2023: 8.6%), including an average of 27.8% between the net company retention and up to a $100 million loss (2023: 42.5%).

For catastrophe aggregate events, the annual aggregate limit was 100.0% placed as at December 31, 2024 (2023: 100.0%). Recoveries on this treaty of $25 million were fully utilized in 2024 (2023: $25 million) due to the heightened level of catastrophe activity.

The Company also purchases other types of reinsurance tailored to individual risks or specific exposures as required by its underwriting guidelines and risk management practices. The Company may retain small participations on other reinsurance treaties based on market conditions and risk appetite.

Effective January 1, 2025, the Company's maximum limit for catastrophe events is $2,075 million with a net company retention of $75 million, before reinstatement premiums. In addition, the Company retains an average participation of 2.44% on the treaty for reinsurance losses in excess of $180 million. There is no Company participation on individual loss events between $75 million and $180 million, subject to reinstatement premiums.

9. INSURANCE RISK MANAGEMENT

By the very nature of an insurance contract, there is uncertainty as to whether an insured event will occur and the amount of loss that would arise in such an event. In the course of these insurance activities, there are several risks the Company must address by applying appropriate underwriting and claims policies and processes. The following discussion outlines the most significant insurance risks and the practices employed to mitigate these risks.

(a) Underwriting risk

Underwriting and pricing
Underwriting risk is the risk of adverse financial exposures arising from various activities integral to the underwriting of insurance products, including product design, pricing, risk acceptance, and claims settlement. The Company's exposure to concentrations of insured risks is mitigated by the use of segmentation, policy issuance and risk acceptance rules, individual limits, product features, and reinsurance.

The concentration of insurance revenue by line of business was as follows:

	2024	2023
Personal auto	41.3%	41.4%
Personal property	27.1%	27.9%
Commercial lines	31.6%	30.7%
	100.0%	100.0%

The concentration of insurance revenue by region was as follows:

	2024	2023
Ontario	57.8%	56.7%
Alberta and Prairies	14.9%	14.8%
British Columbia	11.8%	11.5%
Québec	7.5%	8.6%
Atlantic	8.0%	8.4%
	100.0%	100.0%

A financial loss occurs when the liabilities assumed exceed the expectation reflected in the pricing of an insurance product. The Company prices its products by taking into account numerous factors including product design and features, claim frequency and severity trends, inflationary cost pressures including social inflation, product line expenses, special risk factors, capital requirements, regulatory requirements, competitive forces, and expected investment returns. These factors are reviewed and adjusted on an ongoing basis with a view to confirming that they are reflective of current trends and market conditions. The Company endeavours to maintain pricing levels that produce an acceptable return by appropriately measuring and incorporating these factors into its pricing decisions. New products and material product changes are subject to a detailed review by management, including the Company's actuarial specialists, prior to their launch in order to mitigate the risk that they are priced at an inadequate level. Pricing segmentation and risk selection are used together with a view to attracting and retaining risks at acceptable return rates. The process of pricing involves the use of models, which exposes the Company to the risk that actual results differ from those modelled (model risk), due to model limitations, data issues, human error, or other factors. The risk associated with modelling is mitigated through the application and adherence to the Enterprise Model Risk Management Policy and various enterprise model guidelines.

9. INSURANCE RISK MANAGEMENT (continued)

(a) Underwriting risk (continued)

The performance and pricing of all of the Company's products are regularly monitored, and corrective action is taken as considered necessary. Examples of possible corrective actions include modification of product pricing, terms, conditions, or eligibility requirements, modification of the level of capacity provided to a product or a specific region, changes to marketing strategy, the use of reinsurance, or industry risk sharing pools, as applicable, and eliminating the offering of some products or product features. The lead-time for implementing pricing or product modifications may be extended due to the time required for internal and/or regulatory approval processes, updating the Company's underwriting systems, and educating brokers and/or customers on the modifications. The modifications would then be applied prospectively to new and renewing policies.

To manage the risk arising from underwriting, the Company has policies and training that set out the underwriting risk appetite and criteria, as well as specified tolerances for maximum risk retention and management processes to monitor compliance with these limits. The Company utilizes reinsurance and industry risk sharing pools, where available, in order to manage its exposure to insured risks.

Claims settlement
To control the Company's exposure to unpredictable future developments that could negatively impact claims settlement, the Company promptly responds to new claims and actively manages existing claims, thereby shortening the claims cycle. In addition, the Company's regular detailed review of claims handling procedures, active litigation management, and proactive identification and investigation of possible fraudulent claims seeks to ensure the claims risk exposure, at a portfolio level, does not exceed the claim cost expectations inherent in the pricing of the Company's products.

Legal and regulatory implications
The P&C insurance industry is subject to significant government regulation. As a result, it is possible that future legislative or regulatory changes or changes in interpretations may limit the Company's ability to adjust prices, adjudicate claims, or take other actions that would impact operating results. The Company seeks to mitigate this risk through regular discussions with regulators and P&C insurance industry groups to ensure the Company is aware of proposed changes and by providing feedback to legislators and regulators on proposed changes. The Company monitors compliance with relevant regulations and considers the implications of potential changes in regulation or interpretation on future results. Note 18 provides information on regulatory capital requirements. Note 22 provides additional details on rate regulation.

In addition, plaintiffs continue to bring new types of legal claims against insurance and related companies. Current and future court decisions and legislative and regulatory activity may increase the Company's exposure to these types of legal claims. This risk of potential liability may make reasonable resolution of claims more difficult to obtain. To mitigate the Company's exposure to these types of legal claims, the Company intends to respond to new insurance and legal claims promptly and actively manage existing insurance and legal claims. When necessary, claims reserves are adjusted to reflect potential legal defence costs, and potential court awards and settlements.

Quality review procedures
Quality review procedures seek to ensure that the Company's underwriting and claim activities fall within established guidelines, expected practices, and pricing structures. Centralized and field level reviews are conducted on a test basis. The results of these quality reviews are shared with the appropriate management and staff with the intention that any issues identified can be promptly addressed.

9. INSURANCE RISK MANAGEMENT (continued)

(a) Underwriting risk (continued)

Reinsurance
The Company uses reinsurance to manage its exposure to insurance risks, thereby reducing the potential impact on the Company's financial performance and capital position. Reinsurance coverage risk arises because reinsurance terms, conditions, availability, and pricing may change on renewal, particularly following domestic, foreign, or global catastrophe events, or as a result of higher-than-expected claims frequency and/or severity on non-catastrophe reinsurance treaties. In addition, reinsurers may seek to impose terms that are inconsistent with corresponding terms in the policies written by the Company, which may reduce the eligible claims costs that can be ceded to the reinsurers. Ceding risk to reinsurers does not relieve the Company of the obligation to its policyholders for claims; therefore, the Company manages the level of credit risk associated with reinsurers and the Company's recoverable balances. Note 7 provides information on credit risk. Management reviews the Company's reinsurance program with the intention of ensuring its cost effectiveness and the adequacy of coverage obtained, which reflects the Company's risk tolerances, underwriting practices, and financial strength, while at the same time complying with its reinsurance and capital risk management policies.

(b) Reserve estimate risk

Reserve estimate risk is the risk that the LIC net of the AIC are insufficient to cover future insurance service claim payments and associated expenses related to incurred claims, taking into account the time value of money (i.e. discounting future cash flows) and an explicit adjustment for non-financial risk (i.e. risk adjustment).

Nominal claims liabilities
Nominal claims liabilities reflect the estimates of future payment of all incurred claims and claims adjustment expenses with respect to insurance contracts underwritten by the Company (LIC) and future recoveries with respect to reinsurance contracts held by the Company (AIC). The reserve estimate risk related to nominal claims liabilities is the risk that the future payments will differ from the estimated amounts. The estimates do not represent an exact measurement, but rather a best estimate of the expected ultimate future cost of resolution and administration of claims. To address inflation risk, expected inflation is taken into account in the estimation process. The estimation involves the use of models, which exposes the Company to model risk in the event that actual results differ from those modelled. The risk associated with modelling is mitigated through the application and adherence to the Enterprise Model Risk Management Policy and various enterprise model guidelines.

Nominal claims liabilities include estimates for reported claims, as established by the Company's claims adjusters based on the details of reported claims (referred to as "case reserves"), and provisions established by the Company's corporate actuaries to account for case reserve misestimation and unreported claims (referred to as IBNR), and for the future expense incurred by the Company's claims department to adjudicate and settle claims (referred to as the "internal claims expense" or "ICE" provision).

With respect to case reserves, eligible claim submissions are triaged and assessed for validity and expected cost and salvage or subrogation recoveries through the application of a series of algorithms, real time analytics, and integration of third-party services or by manual review by an adjuster. After the triage stage is complete, the Company leverages artificial intelligence (AI) tools to assign the claim to an appropriate claims adjuster. All individual claims estimates are determined by claims adjusters on a case-by-case basis in accordance with documented policies and procedures. These specialists apply their experience, knowledge, and expertise, after taking into account available information regarding the circumstances of the claim to set individual case reserve estimates.

9. INSURANCE RISK MANAGEMENT (continued)

(b) Reserve estimate risk (continued)

Nominal claims liabilities (continued)
Uncertainty exists on reported claims in that all information may not be available at the valuation date. Uncertainty also exists regarding the number and size of claims not yet reported as well as the timing of when the claims will be reported. Accordingly, the IBNR provision is intended to cover future additional costs, including inflation, emerging on both reported claims and claims that have occurred but have not yet been reported.

IBNR and ICE are based on estimates derived using generally accepted actuarial techniques. Numerous individual assumptions that impact average claim costs or frequency of late reported claims are made for each line of business. The main assumption in the majority of actuarial techniques employed is that future claims development will follow a pattern similar to recent historical experience. However, there are times where historical experience is deemed inappropriate for evaluating future development because there is insufficient credible data, or because changes in product features, claims handling practices, climate patterns, inflationary cost pressures including social inflation, judicial decisions, legislation or major shifts in a book of business indicate a departure from historical trends. Such instances can require significant actuarial judgment, often supported by industry benchmarks and studies, in establishing an adequate provision for nominal claims liabilities.

Establishing an adequate provision for nominal claims liabilities is an inherently uncertain process and is closely monitored by the Company's corporate actuarial department. Case reserves, IBNR, and ICE are subject to internal and external peer review processes to assess the adequacy of the aggregate provision and compliance with professional standards.

Impact of discounting
The nominal claims liabilities recognize that claims and expense payments and recoveries will be made in the future, and therefore are discounted to reflect the time value of money. The impact of discounting takes into account the expected future timing of payments and recoveries and a selected yield curve. The yield curve used to discount the future payments is based on current risk-free spot rates by maturity, adjusted for liquidity of the insurance contracts.

The expected future timing of payments and recoveries is estimated by the Company's corporate actuaries leveraging generally accepted actuarial techniques. The timing of future payments and recoveries is exposed to uncertainty and estimation risks similar to those listed above with respect to IBNR and ICE. Specifically, this uncertainty is considered with respect to the yield curve used to determine the discount amount, whereas the impact of future yield curve and liquidity premium changes are considered financial risk.

The following table presents the interest rate sensitivity analysis on the net of LIC and AIC as at December 31 for a one percentage point change in interest rates (assuming a parallel shift across the yield curve):

(in millions of dollars)	2024		2023	
Change in interest rate (on the net of LIC and AIC)	+ 1 pt	- 1 pt	+ 1 pt	- 1 pt
Impact on income before income taxes	$ 65.7	$ (69.9)	$ 63.2	$ (67.2)

9. INSURANCE RISK MANAGEMENT (continued)

(b) Reserve estimate risk (continued)

Risk adjustment for non-financial risk
The risk adjustment for non-financial risk is derived from the present value of the estimated future cash flows and reflects the uncertainty around the amount and timing of the cash flows as the Company fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Company to the reinsurer. In effect, this additional provision reduces the likelihood that the net amount of LIC and AIC carried will be insufficient to fulfil future obligations arising from claims incurred, net of reinsurance recoveries.

The sheer volume and diversity of considerations makes it impracticable to measure the impact on the Company's insurance contracts resulting from a change in a particular assumption or group of assumptions. The analysis below demonstrates the impact of changing assumptions for all lines of business and regions in such a way that the average claims severity and frequency is altered significantly. The analysis below also isolates the impact within the average claims severity of a change in ICE on the LIC. The impacts below are on the net of LIC and AIC nominal claims liabilities as at December 31:

(in millions of dollars)	2024		2023	
Impact of change on the net of LIC and AIC nominal claims liabilities	+ 5%	- 5%	+ 5%	- 5%
Impact on income before income taxes due to:				
Change in average claims severity	$ (141.7)	$ 141.7	$ (139.3)	$ 139.3
Change in frequency on unreported claims	$ (18.4)	$ 18.4	$ (15.3)	$ 15.3
Change in ICE	$ (8.7)	$ 8.7	$ (8.2)	$ 8.2

The following table presents the sensitivity of risk adjustment for a five percentage point change in the confidence level on the net of LIC and AIC as at December 31:

(in millions of dollars)	2024		2023	
Change in risk adjustment (on the net of LIC and AIC)	+ 5 pts	- 5 pts	+ 5 pts	- 5 pts
Impact on income before income taxes	$ (44.4)	$ 35.5	$ (43.7)	$ 35.2

Assumptions and methods of estimation have been used that the Company believes produce reasonable results given current information. As additional experience and other data become available, the estimates could be revised. Any future changes in estimates would be reflected in the consolidated statements of income in the year in which the change occurred.

The following table shows the development of claims over a period of time. The table reflects development for net claims, which is gross claims less reinsurance recoveries. The triangle in the table ("Estimate of ultimate claims") shows how the ultimate estimates of total claims, net of reinsurance, for each accident year develop over time as more information becomes known regarding individual claims and overall claims frequency and severity. Each column tracks the claims relating to a particular "accident year" which is the year in which such loss events occurred, regardless of when they were reported. The rows reflect the estimates in subsequent years for each accident year's claims. "Cumulative net claims paid" in the table presents the cumulative amounts paid for claims for each accident year as at December 31, 2024, net of reinsurance.

9. INSURANCE RISK MANAGEMENT (continued)

(b) Reserve estimate risk (continued)

The triangle in the claims development table excludes FARM and RSP/PRR claims, and the impact of discounting, risk adjustment, and other incurred insurance expenses, which are shown as separate reconciling items below.

Claims development table, net of reinsurance:

	Accident Year										
(in millions of dollars)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimate of ultimate claims (net of reinsurance)											
At end of accident year	$1,273.5	$1,425.5	$1,602.6	$1,686.9	$1,704.0	$1,550.6	$1,758.0	$2,036.4	$2,290.9	$2,486.2	
1 year later	1,248.0	1,445.0	1,586.3	1,672.1	1,681.0	1,507.4	1,638.5	2,114.8	2,284.3		
2 years later	1,278.9	1,448.9	1,581.3	1,664.9	1,669.7	1,427.6	1,617.1	2,115.0			
3 years later	1,277.0	1,446.7	1,549.3	1,658.4	1,678.8	1,373.8	1,624.4				
4 years later	1,273.6	1,430.1	1,564.4	1,681.6	1,652.9	1,370.8					
5 years later	1,281.1	1,426.1	1,602.9	1,664.1	1,647.3						
6 years later	1,289.0	1,449.6	1,586.7	1,657.0							
7 years later	1,301.5	1,442.6	1,571.5								
8 years later	1,295.4	1,437.1									
9 years later	1,288.1										
(Favourable) adverse development recognized in the year	(7.3)	(5.5)	(15.2)	(7.1)	(5.6)	(3.0)	7.3	0.2	(6.6)		$ (42.8)
Favourable development recognized from 2014 and prior accident years											(23.3)
Adverse development recognized from FARM and RSP/PRR ceded and assumed in the year											2.3
Total favourable development recognized in the year											$ (63.8)
Current estimate of net ultimate claims	1,288.1	1,437.1	1,571.5	1,657.0	1,647.3	1,370.8	1,624.4	2,115.0	2,284.3	2,486.2	$ 17,481.7
Cumulative net claims paid	1,268.9	1,397.0	1,496.8	1,546.3	1,514.0	1,206.2	1,374.4	1,755.9	1,735.8	1,314.9	14,610.2
Current net unpaid and unreported claims	19.2	40.1	74.7	110.7	133.3	164.6	250.0	359.1	548.5	1,171.3	2,871.5
Current net unpaid and unreported claims pertaining to 2014 and prior accident years											58.0
FARM and RSP/PRR ceded and assumed claims, unpaid and unreported											93.2
Impact of discounting											(344.1)
Impact of risk adjustment											160.1
Impact of other incurred insurance expenses											119.1
Receivables net of payables included in the LIC and AIC											(55.0)
Net liabilities for incurred claims											$ 2,902.8
LIC											$ 3,225.2
AIC											$ (322.4)

(c) Catastrophe risk

Catastrophe risk may arise if the Company experiences a considerable number of claims arising from man-made or natural catastrophes that result in significant impacts on claims costs. Catastrophes can cause losses in a variety of different lines of business and may have continuing effects which, by their nature, could impede efforts to accurately assess the full extent of the damage they cause on a timely basis. Although the Company evaluates catastrophe events and assesses the probability of occurrence and magnitude of impact through various commonly used, industry accepted modelling techniques and through the aggregation of limits exposed in each region in which it operates, such events are inherently unpredictable and difficult to quantify. In addition, the incidence and severity of catastrophe events may become increasingly unpredictable as climate patterns change. Severe weather caused by climate change is expected to continue to affect the P&C insurance industry and result in more variable and higher claims costs.

9. INSURANCE RISK MANAGEMENT (continued)

(c) Catastrophe risk (continued)

The Company manages its catastrophe events exposure by monitoring exposure to concentrations of insured risks, by performing scenario stress testing, by considering the potential impact on capital position and overall risk tolerances, through the deductibles charged to policyholders, by limitations on policy terms, by limiting underwriting capacity for particular risks or regions, and by purchasing reinsurance.

(d) Climate change risk

The impact of changing weather patterns arising from climate change poses significant risks for P&C insurers. While increasing frequency and severity of extreme weather events have resulted in increased catastrophe events and claims, climate change has implications for most aspects of the Company's business. Climate change considerations may influence pricing, coverage options, product features, or services sought by customers or offered by competitors and may increase the variability and amount of claims. If the Company is unable to maintain competitive pricing, coverage options, product features, or services that are attractive to customers, the Company's ability to grow or maintain its written premium levels and underwriting profitability may be impacted. The Company is continuously seeking to enhance its data and modelling capabilities to better understand changes in key climate risk exposures, with a view to confirming pricing, coverage options, risk accumulations and claim liability estimates remain appropriate. Climate change risk may also influence the cost, coverage, and availability of reinsurance for some regions, risk profiles or carbon-intensive industries. The Company has developed relationships with its reinsurers and has worked with them to help them understand the risk profile present in the Company's book of business in relation to climate change risk. These relationships, along with proactive management of its reinsurance program, help the Company to maintain access to sufficient and cost-effective reinsurance.

There were no significant changes in the Company's objectives, policies, and processes used to manage and measure the Company's insurance risks compared to the previous year.

10. PROPERTY AND EQUIPMENT

Property and equipment, as presented in the consolidated balance sheets, was composed of the following:

(in millions of dollars)		2024						
	Notes	Land and building structure	Building infrastructure	Building fixtures	Furniture and equipment	Computer equipment	Right-of-use assets	Total
Cost:								
Balance, beginning of year		$ 59.4	$ 29.3	$ 10.7	$ 25.3	$ 11.3	$ 48.0	$ 184.0
Business combinations	5	0.8	0.1	-	0.3	0.2	2.2	3.6
Additions		4.0	1.1	0.1	2.9	3.7	2.6	14.4
Disposals		(1.6)	-	-	(5.2)	(2.4)	(4.8)	(14.0)
Balance, end of year		$ 62.6	$ 30.5	$ 10.8	$ 23.3	$ 12.8	$ 48.0	$ 188.0
Accumulated depreciation:								
Balance, beginning of year		$ 18.3	$ 11.1	$ 8.7	$ 19.5	$ 6.5	$ 16.8	$ 80.9
Depreciation charge		3.7	0.5	0.1	1.6	3.2	7.0	16.1
Disposals		(1.5)	-	-	(5.1)	(2.4)	(4.8)	(13.8)
Balance, end of year		$ 20.5	$ 11.6	$ 8.8	$ 16.0	$ 7.3	$ 19.0	$ 83.2
Net book value, end of year		$ 42.1	$ 18.9	$ 2.0	$ 7.3	$ 5.5	$ 29.0	$ 104.8

10. PROPERTY AND EQUIPMENT (continued)

(in millions of dollars)		2023						
	Notes	Land and building structure	Building infrastructure	Building fixtures	Furniture and equipment	Computer equipment	Right-of-use assets	Total
Cost:								
Balance, beginning of year		$ 43.7	$ 27.4	$ 10.5	$ 22.7	$ 10.2	$ 51.2	$ 165.7
Business combinations	5	14.8	-	-	0.4	0.6	3.9	19.7
Additions		4.1	1.9	0.2	3.5	2.0	4.5	16.2
Disposals		(3.2)	-	-	(1.3)	(1.5)	(11.6)	(17.6)
Balance, end of year		$ 59.4	$ 29.3	$ 10.7	$ 25.3	$ 11.3	$ 48.0	$ 184.0
Accumulated depreciation:								
Balance, beginning of year		$ 18.8	$ 10.5	$ 8.5	$ 18.7	$ 5.3	$ 20.1	$ 81.9
Depreciation charge		2.5	0.6	0.2	2.1	2.7	5.3	13.4
Disposals		(3.0)	-	-	(1.3)	(1.5)	(8.6)	(14.4)
Balance, end of year		$ 18.3	$ 11.1	$ 8.7	$ 19.5	$ 6.5	$ 16.8	$ 80.9
Net book value, end of year		$ 41.1	$ 18.2	$ 2.0	$ 5.8	$ 4.8	$ 31.2	$ 103.1

11. INCOME TAXES

(a) Income tax expense

The reconciliation of income tax calculated at the Canadian statutory tax rate to the income tax expense at the effective tax rate recorded in net income in the consolidated statements of income is provided in the table below:

(in millions of dollars)	2024		2023	
Income tax expense calculated based on statutory tax rates	26.3%	$ 152.2	26.3%	$ 122.9
Investment income not subject to tax	(1.6%)	(9.3)	(1.8%)	(8.3)
Non-deductible expenses	0.2%	1.0	0.2%	0.8
Other	(0.1%)	(0.1)	(0.6%)	(2.7)
Income tax expense recorded in net income	24.8%	$ 143.8	24.1%	$ 112.7

The major components of the income tax expense were as follows:

(in millions of dollars)	2024	2023
Current income taxes		
Income taxes related to current year	$ 168.7	$ 132.5
Income taxes related to prior years	(6.0)	(2.9)
Deferred income taxes	(18.9)	(16.9)
Income tax expense	$ 143.8	$ 112.7

Income taxes included in OCI in the consolidated statements of comprehensive income were as follows:

(in millions of dollars)	2024	2023
Income tax on items that will not be reclassified subsequently to net income:		
Recognized gains on FVTOCI investments	$ 8.1	$ 2.2
Post-employment benefit obligation gain (loss)	2.4	(0.3)
Income tax expense	$ 10.5	$ 1.9

11. INCOME TAXES (continued)

(b) Deferred income taxes

The components comprising net deferred income tax (liabilities) assets were as follows:

(in millions of dollars)		2024		2023
Insurance contract assets (liabilities)	$	0.6	$	(5.0)
Post-employment benefit plans		(5.7)		(3.6)
Property and equipment		(6.8)		(7.1)
Intangible assets		(159.1)		(145.8)
Income tax loss carryforwards		2.7		5.5
Deferred expenses for tax purposes		20.0		20.9
Other		7.2		8.0
	$	(141.1)	$	(127.1)

The Company anticipates that it will generate taxable income from ordinary operations sufficient to utilize its deferred income tax assets.

The net movement of the deferred income taxes was as follows:

(in millions of dollars)		2024		2023
Balance, beginning of year	$	(127.1)	$	(78.3)
Income tax expense:				
Recorded in net income		18.9		16.9
Recorded in OCI		(2.4)		0.3
Recorded in equity		(7.1)		(4.4)
Business combinations		(23.4)		(61.6)
Balance, end of year	$	(141.1)	$	(127.1)

12. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets, as presented in the consolidated balance sheets, is composed of the following items:

(in millions of dollars)	2024	2023
Intangible assets	$ 711.2	$ 657.5
Goodwill	686.3	572.4
	$ 1,397.5	$ 1,229.9

(a) Intangible assets

(in millions of dollars)		2024					
	Note	Brand	Registry agent license	Software	Customer relationships	Distribution network	Total
Cost:							
Balance, beginning of year		$ 54.2	$ 20.7	$ 389.6	$ 427.4	$ 5.7	$ 897.6
Business combinations	5	10.5	-	-	88.8	-	99.3
Additions		-	-	63.8	-	-	63.8
Disposals		-	-	(40.7)	-	-	(40.7)
Balance, end of year		$ 64.7	$ 20.7	$ 412.7	$ 516.2	$ 5.7	$ 1,020.0
Accumulated amortization:							
Balance, beginning of year		$ -	$ -	$ 206.6	$ 29.9	$ 3.6	$ 240.1
Amortization expense		-	-	77.5	31.2	0.5	109.2
Disposals		-	-	(40.5)	-	-	(40.5)
Balance, end of year		$ -	$ -	$ 243.6	$ 61.1	$ 4.1	$ 308.8
Net book value, end of year		$ 64.7	$ 20.7	$ 169.1	$ 455.1	$ 1.6	$ 711.2

(in millions of dollars)		2023					
	Note	Brand	Registry agent license	Software	Customer relationships	Distribution network	Total
Cost:							
Balance, beginning of year		$ 31.5	$ -	$ 348.9	$ 227.5	$ 5.7	$ 613.6
Business combinations	5	22.7	20.7	-	199.9	-	243.3
Additions		-	-	73.1	-	-	73.1
Disposals		-	-	(32.4)	-	-	(32.4)
Balance, end of year		$ 54.2	$ 20.7	$ 389.6	$ 427.4	$ 5.7	$ 897.6
Accumulated amortization:							
Balance, beginning of year		$ -	$ -	$ 168.7	$ 8.2	$ 3.1	$ 180.0
Amortization expense		-	-	70.3	21.7	0.5	92.5
Disposals		-	-	(32.4)	-	-	(32.4)
Balance, end of year		$ -	$ -	$ 206.6	$ 29.9	$ 3.6	$ 240.1
Net book value, end of year		$ 54.2	$ 20.7	$ 183.0	$ 397.5	$ 2.1	$ 657.5

Included in software is $12.3 million (2023: $24.4 million) that has not yet commenced being amortized as the assets are still under development.

12. GOODWILL AND INTANGIBLE ASSETS (continued)

(b) Goodwill and intangible assets with indefinite lives

Goodwill and intangible assets with indefinite lives have been allocated to three individual CGUs. The carrying amount of goodwill and intangible assets with indefinite lives allocated to each of the CGUs is shown below:

(in millions of dollars)	Notes	Goodwill		Intangible assets	
		2024	2023	2024	2023
Definity Insurance		$ 26.9	$ 26.9	$ -	$ -
Petline		19.2	19.2	4.2	4.2
Distribution business	5	640.2	526.3	81.2	70.7
		$ 686.3	$ 572.4	$ 85.4	$ 74.9

Goodwill and intangible assets with indefinite lives are subject to impairment testing that is performed at least annually. When testing for impairment, the recoverable amount of the CGU is determined based on VIU calculations using a discounted cash flow model based on financial forecasts approved by management covering a five-year period and an estimate of the terminal values for the period beyond the five-year forecast.

The key assumptions used in these impairment tests were as follows:

- Growth rates represent the rates used to extrapolate new business contributions beyond the business plan period. The growth rates were based on management expectations and do not exceed the historic long-term average growth rates. Growth rates ranging from 2.5% - 4.0% were used in the terminal value calculations.
- After-tax, market adjusted discount rates ranging from 7.4% - 10.3% were used to discount expected profits from future new business.

Management does not believe that a reasonable change in these assumptions would result in the carrying value of the CGUs exceeding the recoverable amounts. The goodwill and intangible assets with indefinite lives impairment testing for the current year determined that there was no evidence of impairment (2023: nil).

13. OTHER ASSETS

Other assets, as presented in the consolidated balance sheets, were composed of the following:

(in millions of dollars)	Notes	2024	2023
Investments in associates		$ 47.5	$ 52.3
Other receivables		50.8	43.9
Pension asset	21	48.1	41.9
Prepaid expenses and other		41.3	35.1
Accrued investment income		29.8	26.8
		$ 217.5	$ 200.0

The Company has only individually immaterial associates. The Company’s share of the comprehensive loss of individually immaterial associates in 2024 was $1.4 million (2023: comprehensive income of $0.8 million).

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities, as presented in the consolidated balance sheets, were composed of the following:

(in millions of dollars)	Notes		2024		2023
Accounts payable and other		$	73.0	$	54.9
Lease liabilities			35.2		35.6
Other post-employment benefit plan obligation	21		26.5		28.2
Restructuring provision			4.0		8.5
Deferred share unit plans	20		9.4		4.7
		$	148.1	$	131.9

15. DEBT OUTSTANDING

The Company and certain of its subsidiaries have access to an $800 million unsecured committed credit facility. The credit facility has a term ending on July 22, 2029, contains certain covenants, and incorporates pricing adjustments that are linked to meeting certain sustainability targets. As at December 31, 2024 the Company had drawn $114.3 million under this credit facility (2023: $114.3 million). As at February 13, 2025, the Company remained in compliance with the covenants. The interest rate applicable is based on the current period's CORRA rate, Canadian prime rate, or SOFR plus a margin. The Company recorded interest expense of $6.6 million in 2024 (2023: $5.3 million).

16. NON-CONTROLLING INTERESTS

The Company's ownership interest in McDougall as at December 31, 2024 was approximately 76% (2023: 77%). McDougall operates in Canada.

Certain summarized financial information of McDougall, before any inter-company eliminations, is provided below.

(in millions of dollars)		2024		2023
Distribution revenues	$	207.6	$	137.0
Net income and total comprehensive income		19.8		18.2
Total assets		1,244.9		738.2
Total liabilities		530.4		355.4

17. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares issuable in series. The Company's issued and outstanding common shares were as follows:

(in millions of dollars, except as otherwise noted)		2024		2023	
	Notes	Number of shares (in millions)	Amount	Number of shares (in millions)	Amount
Issued and outstanding, beginning of year		115.9	$ 2,307.8	115.9	$ 2,307.8
Cancellation of shares	2(d)	(0.1)	-	-	-
Issued and outstanding, end of year		115.8	2,307.8	115.9	2,307.8
Shares held in trust, beginning of year		(1.0)	(34.8)	(1.5)	(53.6)
Purchased for future settlement of the LTIP and Medium-Term Incentive Plan ("MTIP")		(1.2)	(68.3)	(0.4)	(13.9)
Released for the settlement of the LTIP and MTIP		0.4	15.7	0.9	32.7
Shares held in trust, end of year		(1.8)	(87.4)	(1.0)	(34.8)
Issued and outstanding, net of shares held in trust, end of year		114.0	$ 2,220.4	114.9	$ 2,273.0

On February 13, 2025, the Board of Directors declared a $0.1875 per share dividend, payable on March 26, 2025 to shareholders of record at the close of business on March 12, 2025.

No preferred shares were issued and outstanding.

18. CAPITAL MANAGEMENT

(a) Capital management framework

Capital deployment is carefully considered within the context of the Company's access to capital, corporate objectives, and capital management related policies. This includes the impact of any capital deployment on the Company's key operating and risk metrics. The Company's objectives when managing capital include:

- Establishment of flexible capital management tools to support the business strategy;
- Maximizing long-term shareholder value through capital optimization;
- Ensuring an appropriate level of liquidity to support operational and other corporate requirements;
- Maintaining strong credit ratings to support capital raising; and
- Maintaining strong regulatory capital in the Company's operating insurance entities to safeguard policyholders.

Management develops the capital strategy for the Company and supervises the capital management processes. The Board of Directors is responsible for overseeing management's compliance with the capital management policies.

(b) Capital management of the Company

The Company focuses on promoting internal capital mobility so that all entities are appropriately capitalized while ensuring there is sufficient liquid capital at the Company to support the servicing of debt obligations and payment of shareholder dividends, and for other capital deployment, including acquisitions.

18. CAPITAL MANAGEMENT (continued)

(c) Regulatory capital management

The amount of capital required in any company is dependent on its risk profile, strategic plans, and regulatory requirements. The Company actively monitors and manages capital with the objective of maintaining levels that are above the relevant internal and regulatory minimum capital requirements:

- Insurance subsidiaries are subject to regulatory capital requirements established by Office of the Superintendent of Financial Institutions ("OSFI") and the *Insurance Companies Act* (Canada).
- OSFI evaluates capital adequacy through the Minimum Capital Test ("MCT") ratio, which measures available capital against required risk-weighted capital.
- OSFI has established a regulatory supervisory target MCT ratio of 150%, which provides a cushion above the minimum MCT ratio of 100%.

As at December 31, 2024, the MCT ratio of each of the Company's insurance subsidiaries exceeded the minimum capital ratio of 150% required by OSFI.

Management actively monitors the MCT of the Company's insurance subsidiaries and the effect that external and internal actions have on the capital base of the Company. Capital levels are managed with an objective of ensuring that policyholders are not put at unacceptable risk. In accordance with regulatory requirements and the Company's capital management policies, the Board of Directors has set internal targets at levels higher and more stringent than OSFI's minimum requirements. Management also conducts its own risk and solvency assessment on at least an annual basis and provides regular updates to its Management Risk Committee, the Risk Review Committee, and the Board of Directors.

19. EARNINGS PER COMMON SHARE

Basic earnings per common share ("EPS") is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by adjusting the net earnings available to common shareholders, if applicable, and the weighted average number of common shares outstanding for the effects of dilutive instruments pertaining to the Company's share-based compensation plans.

(in millions of dollars, except as otherwise noted)		2024		2023
Net income attributable to common shareholders	$	430.4	$	350.1
Weighted average common shares outstanding (in millions)[1]		114.8		115.0
Dilutive effect of share-based compensation plans (in millions)		1.7		1.6
Weighted average of diluted common shares outstanding (in millions)		116.5		116.6
EPS (in dollars)				
Basic	$	3.75	$	3.04
Diluted	$	3.69	$	3.00

[1] Net of shares held in trust.

20. SHARE-BASED COMPENSATION PLANS

(a) Medium-term and long-term incentive plans

Restricted units ("RUs") and RSUs
The following table shows the movements in the RUs and RSUs under the MTIP and LTIP during the year:

	2024	2023
	Number of units	Number of units
Outstanding, beginning of year	857,319	998,685
Awarded	257,898	278,103
Forfeited	(49,086)	(47,090)
Settled	(366,350)	(372,379)
Outstanding, end of year	699,781	857,319

The recorded compensation expense in 2024 for the RUs and RSUs was $8.7 million (2023: $8.6 million), and the aggregate contributed surplus balance attributable to the RUs and RSUs as at December 31, 2024 was $16.5 million (2023: $16.8 million).

Performance units ("PUs") and PSUs
The following table shows the movements in the PUs and PSUs under the MTIP and LTIP during the year:

	2024	2023
	Number of units	Number of units
Outstanding, beginning of year	747,500	915,452
Awarded	731,380	196,544
Forfeited	(13,374)	(22,083)
Settled	(317,568)	(342,413)
Outstanding, end of year	1,147,938	747,500

The recorded compensation expense in 2024 for the PUs and PSUs was $13.2 million (2023: $11.2 million), and the aggregate contributed surplus balance attributable to the PUs and PSUs as at December 31, 2024 was $24.1 million (2023: $23.0 million).

MTIP
Under the Definity Insurance MTIP, notional units (RUs or PUs) were granted annually to certain employees. Following completion of the initial public offering ("IPO") on November 23, 2021, no further awards will be granted under the MTIP. The outstanding MTIP awards granted in 2019 were cash-settled in 2022, while the 2020 and 2021 awards were equity-settled in 2023 and 2024, respectively. The Company's LTIP became effective as of November 23, 2021. RSUs and PSUs were granted starting in 2022.

20. SHARE-BASED COMPENSATION PLANS (continued)

(b) Deferred share unit plans

As at December 31, 2024, there were 162,143 DSUs outstanding (2023: 127,439 DSUs). The DSU liability as at December 31, 2024 was $9.4 million (2023: $4.7 million). The recorded compensation expense in 2024 for the DSUs was $4.7 million (2023: $1.6 million).

(c) Stock option plan

The following table shows the movements in the stock options under the stock option plan during the year:

	2024		2023	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding, beginning of year	182,042	$ 36.48	-	$ -
Granted	175,655	$ 44.01	182,042	$ 36.48
Exercised	-	$ -	-	$ -
Forfeited	-	$ -	-	$ -
Outstanding, end of year	357,697	$ 40.18	182,042	$ 36.48
Exercisable, end of year	357,697	$ 40.18	182,042	$ 36.48

The weighted average remaining contractual life for the outstanding options as at December 31, 2024 was 8.7 years (2023: 9.2 years).

The fair value of stock options granted was measured using the Black-Scholes option pricing model. The fair value of stock options granted in 2024 was $1.6 million (2023: $1.4 million). The recorded compensation expense in 2024 for the stock options was $1.2 million (2023: $0.6 million).

The key assumptions used to measure the fair value of options granted under the Black-Scholes option pricing model at the date of grant were as follows:

	2024	2023
Share price at the date of grant	$44.01	$36.48
Exercise price	$44.01	$36.48
Expected share price volatility	19.0%	18.0%
Expected life of options	6.25 years	6.25 years
Expected dividend yield	1.7%	1.6%
Risk-free interest rate	3.5%	3.4%

Given the Company's IPO was in November 2021, the Company does not yet have sufficient history to use the volatility of its own share price to determine the Company's expected share price volatility. As a result, the Company also considered the volatility of share prices of comparable companies.

21. POST-EMPLOYMENT BENEFITS

The Company provides certain pension and other post-employment benefits through defined benefit, defined contribution, and other post-employment benefit plans to eligible participants upon retirement.

The defined benefit pension plans provide pension benefits based on length of service and final average pensionable earnings. The most recent actuarial valuation was prepared as of January 1, 2023. The contribution to be paid by the Company is determined each year by the Company's pension actuaries. The Company's funding policy is to make contributions in amounts that are required to discharge the benefit obligations over the life of the plan. Based on the latest actuarial valuations of all its plans, the total required contributions by the Company to the pension plans are expected to be $1.4 million in 2025. The contributions are expected to be funded by utilization of the current plan surplus. Discretionary pension contributions in 2024 were nil (2023: nil). Pension plan matters are regulated by the Financial Services Regulatory Authority of Ontario.

Plan assets associated with the pension plans are funded pursuant to a trust agreement through a trust company as selected by the Company. The Executive Investment Committee and the Human Resources and Compensation Committee assist the Company's Board of Directors in fulfilling its responsibility for governance of the plans and assign or delegate certain oversight and administration duties to the Management Pension Committee as appropriate.

Under the defined contribution component of the pension plan, the Company contributes a fixed percentage of an employee's pensionable earnings to the plan. Contributions under the defined contribution component of the pension plan totalled $23.5 million in 2024 (2023: $21.8 million).

(a) Plan movements

The following tables present the movement of the Company's pension plan and other benefit plan obligations and plan assets during the year:

(in millions of dollars)	2024				
	Amounts recognized in net income	(Gains) losses recognized in OCI	Present value of benefit plan obligations		Fair value of plan assets
			Other benefit plans	Pension plans	Pension plans
Balance, beginning of year			$ 28.2	$ 182.9	$ 224.8
Current service cost	$ 1.9	-	0.6	1.3	-
Interest cost	9.5	-	1.3	8.2	-
Interest income	(10.2)	-	-	-	10.2
Return on plan assets excluding interest income	-	(7.0)	-	-	7.0
Actuarial losses (gains)					
Due to changes in demographic assumptions	-	-	-	-	-
Due to changes in financial assumptions	0.4	(2.8)	(3.3)	0.9	-
Due to changes in experience losses	0.8	0.8	1.6	-	-
Contributions by employer	-	-	-	-	
Administration cost	0.6	-	-	-	(0.6)
Contributions by plan participants	-	-	-	0.1	0.1
Benefits paid	-	-	(1.9)	(12.4)	(12.4)
Balance, end of year	$ 3.0	$ (9.0)	$ 26.5	$ 181.0	$ 229.1

21. POST-EMPLOYMENT BENEFITS (continued)

(a) Plan movements (continued)

(in millions of dollars)	2023				
	Amounts recognized in net income	(Gains) losses recognized in OCI	Present value of benefit plan obligations		Fair value of plan assets
			Other benefit plans	Pension plans	Pension plans
Balance, beginning of year			$ 26.3	$ 172.1	$ 212.4
Current service cost	$ 2.4	$ -	0.7	1.7	-
Interest cost	9.9	-	1.3	8.6	-
Interest income	(10.8)	-	-	-	10.8
Return on plan assets excluding interest income	-	(12.1)	-	-	12.1
Actuarial losses (gains)					
Due to changes in demographic assumptions	-	-	-	-	-
Due to changes in financial assumptions	0.4	11.6	2.0	10.0	-
Due to changes in experience losses	(0.3)	1.8	(0.3)	1.8	-
Contributions by employer	-	-	-	-	1.3
Administration cost	0.5	-	-	-	(0.5)
Contributions by plan participants	-	-	-	0.1	0.1
Benefits paid	-	-	(1.8)	(11.4)	(11.4)
Balance, end of year	$ 2.1	$ 1.3	$ 28.2	$ 182.9	$ 224.8

The amounts recognized in net income were recorded in either “Insurance service expenses” or “Other expenses”.

The actual return on plan assets was a gain of $17.2 million in 2024 (2023: $22.9 million gain).

(b) Funding status of defined benefit plans

The amounts recognized for pension plans in the consolidated balance sheets in other assets were as follows:

(in millions of dollars)	2024	2023
Defined benefit obligation	$ (181.0)	$ (182.9)
Fair value of plan assets	229.1	224.8
Net defined benefit asset	$ 48.1	$ 41.9
Actuarial gains on plan assets	$ (7.0)	$ (12.1)
Actuarial losses on plan liabilities	$ 0.9	$ 11.8

The amounts recognized for other benefit plans in the consolidated balance sheets in accounts payable and other liabilities were as follows:

(in millions of dollars)	2024	2023
Defined benefit obligation	$ (26.5)	$ (28.2)
Actuarial (gains) losses on plan liabilities	$ (1.7)	$ 1.7

21. POST-EMPLOYMENT BENEFITS (continued)

(c) Maturity analysis of defined benefit obligations

The weighted average duration of the pension plan obligation is 10 years (2023: 11 years) and the weighted average duration of the other benefit plans obligation is 11 years (2023: 11 years).

The expected maturity of the defined benefit obligations was as follows:

(in millions of dollars)	2024				
	Under 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years	Total
Pension plans	$ 11.6	$ 43.0	$ 44.7	$ 81.7	$ 181.0
Other benefit plans	1.8	6.3	6.2	12.2	26.5
	$ 13.4	$ 49.3	$ 50.9	$ 93.9	$ 207.5

(in millions of dollars)	2023				
	Under 1 year	Over 1 to 5 years	Over 5 to 10 years	Over 10 years	Total
Pension plans	$ 12.3	$ 42.3	$ 44.4	$ 83.9	$ 182.9
Other benefit plans	1.9	6.4	6.3	13.6	28.2
	$ 14.2	$ 48.7	$ 50.7	$ 97.5	$ 211.1

(d) Pension plan asset allocation

The table below shows the allocation of defined benefit pension plan assets:

(in millions of dollars)	2024		2023	
Cash	$ 10.2	4.5%	$ 9.5	4.2%
Canadian fixed income securities (investment grade)				
Government of Canada	31.0	13.5%	30.1	13.4%
Provincial and municipal	79.6	34.7%	81.9	36.4%
Corporate	44.3	19.3%	40.3	17.9%
Pooled equity funds				
Canadian	20.8	9.1%	23.5	10.5%
Foreign	35.4	15.5%	30.8	13.7%
Other	7.8	3.4%	8.7	3.9%
	$ 229.1	100.0%	$ 224.8	100.0%

Of the corporate bonds held in the pension plan, the industry of issuer was as follows:

	2024	2023
Utilities	27.2%	26.9%
Energy	21.6%	19.6%
Financial services	16.9%	16.4%
Industrials	16.8%	17.0%
Communication services	10.7%	10.9%
Consumer staples	3.1%	3.3%
Consumer discretionary	1.9%	3.6%
Other	1.8%	2.3%
	100.0%	100.0%

The Company undertakes an asset-liability study as deemed necessary. The goal of the asset-liability study is to balance the expected long-term cost of the plan with the risk tolerance of the Company. To achieve this balance, the assets in the plan are allocated to cash, fixed income securities, foreign equities, and Canadian equities.

21. POST-EMPLOYMENT BENEFITS (continued)

(e) Assumptions applied

The principal actuarial assumptions used in determining the defined benefit obligations for the Company's pension plans and other benefit plans were as follows:

	Other benefit plans		Pension plans	
	2024	2023	2024	2023
To determine benefit obligation, end of year:				
Discount rate	4.6%	4.7%	4.6%	4.7%
Future salary increases	-	-	2.5%	2.5%
Inflation assumption	-	-	2.0%	2.0%
Prescription drug cost increase	5.1%	4.9%	-	-
Medical claims cost increase	5.2%	5.0%	-	-
To determine benefit expense for the year:				
Discount rate	4.7%	5.2%	4.7%	5.2%
Future salary increases	-	-	2.5%	2.5%
Inflation assumption	-	-	2.0%	2.0%
Prescription drug cost increase	4.9%	4.7%	-	-
Medical claims cost increase	5.0%	4.8%	-	-

The mortality assumptions used to assess the Company's defined benefit obligations for the pension and other post-employment benefit plans as of December 31, 2024 are based on the Canadian Pensioners' Mortality – Private Sector mortality tables as established by the Canadian Institute of Actuaries.

The discount rate is the assumption that has the largest impact on the value of these obligations. The impact of a 1% change in this rate is as follows:

(in millions of dollars)	2024		2023	
Impact on:	+ 1%	- 1%	+ 1%	- 1%
Defined benefit obligation – pension plans	$ (17.1)	$ 20.4	$ (17.5)	$ 21.0
Defined benefit obligation – other benefit plans	$ (2.6)	$ 2.9	$ (2.7)	$ 3.2

The impact of a 1% change in the health care cost assumption is as follows:

(in millions of dollars)	2024		2023	
Impact on:	+ 1%	- 1%	+ 1%	- 1%
Defined benefit obligation – other benefit plans	$ 1.9	$ (1.6)	$ 3.0	$ (2.6)
Aggregate of total service cost and interest cost	$ 0.1	$ (0.1)	$ 0.1	$ (0.1)

(f) Risks arising from post-employment benefits

The key risks to which the Company is exposed to as a result of sponsoring the defined benefit pension plans and other post-employment benefit plans include inflation risk, interest rate risk, equity market price risk, foreign exchange risk, and life expectancy risk.

22. RATE REGULATION

In common with the P&C insurance industry in general, the Company's insurance subsidiaries are subject to regulation in certain jurisdictions whereby rates charged to customers for certain automobile insurance policies must be approved by the applicable regulatory body. This type of business comprised 44.5% (2023: 44.0%) of the Company's insurance revenue in 2024. The Company is subject to three types of regulatory processes as follows:

Category	Description
File and use	Insurers file their rates with the regulatory authority and wait for a certain amount of time before implementing them.
File and approve	Insurers file their rates with the regulatory authority and wait for approval before implementing them.
Use and file	Insurers file their rates with the regulatory authority within a specified period after they are implemented.

The following table outlines the jurisdictions, regulatory authorities, and regulatory processes that the Company is subject to:

Jurisdiction	Regulatory authority	Regulatory process
Alberta	Automobile Insurance Rate Board	File and use or file and approve
New Brunswick	New Brunswick Insurance Board	File and approve
Nova Scotia	Nova Scotia Utility and Review Board	File and approve
Ontario	Financial Services Regulatory Authority	File and use or file and approve
Prince Edward Island	Island Regulatory and Appeals Commission	File and approve
Québec	Autorité des Marchés Financiers	Use and file

23. EXPENSES

(a) Insurance service expenses and other expenses

Insurance service expenses and other expenses incurred by the Company, as presented in the consolidated statements of income, are composed of the following:

(in millions of dollars)	2024			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	$ -	$ 2,704.2	$ 59.5	$ 2,763.7
Discounting recovery in insurance service expenses	-	(161.4)	-	(161.4)
Risk adjustment expenses	-	6.1	-	6.1
Commissions	557.5	54.8	-	612.3
Operating expenses	189.6	184.7	85.2	459.5
Premium taxes	146.6	-	-	146.6
Gains on onerous insurance contracts	-	(9.3)	-	(9.3)
Public company expenses	-	-	31.3	31.3
Distribution:				
Distribution business expenses	-	-	131.6	131.6
Amortization of intangible assets recognized in business combinations on distribution business	-	-	31.4	31.4
Interest on restricted cash, less demutualization and IPO-related expenses	-	-	(2.4)	(2.4)
Share of loss from investments in associates	-	-	1.7	1.7
Other	-	-	0.8	0.8
	$ 893.7	$ 2,779.1	$ 339.1	$ 4,011.9
Insurance service expenses				3,672.8
Other expenses				339.1
				$ 4,011.9

23. EXPENSES (continued)

(a) Insurance service expenses and other expenses (continued)

(in millions of dollars)	2023			
	Expenses attributed to insurance acquisition cash flows	Other directly attributable expenses	Other expenses	Total
Claims and adjustment expenses	$ -	$ 2,481.6	$ 54.6	$ 2,536.2
Discounting recovery in insurance service expenses	-	(157.9)	-	(157.9)
Risk adjustment recovery	-	(5.6)	-	(5.6)
Commissions	495.7	60.3	-	556.0
Operating expenses	189.8	184.2	78.7	452.7
Premium taxes	133.6	-	-	133.6
Gains on onerous insurance contracts	-	(4.6)	-	(4.6)
Public company expenses	-	-	25.8	25.8
Distribution:				
Distribution business expenses	-	-	88.1	88.1
Amortization of intangible assets recognized in business combinations on distribution business	-	-	20.4	20.4
Interest on restricted cash, less demutualization and IPO-related expenses	-	-	(8.7)	(8.7)
Share of loss from investments in associates	-	-	0.1	0.1
Restructuring expenses			11.1	11.1
Other	-	-	1.4	1.4
	$ 819.1	$ 2,558.0	$ 271.5	$ 3,648.6
Insurance service expenses				3,377.1
Other expenses				271.5
				$ 3,648.6

(b) Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held incurred by the Company, as presented in the consolidated statements of income, are composed of the following:

(in millions of dollars)	2024	2023
Earned reinsurance premiums	$ 391.0	$ 307.7
Claims recoverable from reinsurers for incurred claims	(241.1)	(225.9)
Commissions earned on ceded reinsurance	(61.8)	(50.3)
Discounting expense in net expenses from reinsurance contracts held	20.9	17.5
Risk adjustment recovery	(3.7)	(0.2)
	$ 105.3	$ 48.8

24. CASH FLOWS FROM OPERATING ACTIVITIES

The following table shows the adjustments for non-cash items and changes in operating assets and liabilities included in the consolidated statements of cash flows:

(in millions of dollars)	2024	2023
Adjustments for non-cash items:		
Amortization and depreciation		
Bond premium/discount	$ (29.0)	$ (18.4)
Property and equipment	16.1	13.4
Intangible assets	109.2	92.4
Recognized gains on FVTPL investments	(214.4)	(151.8)
Share-based compensation	23.1	20.5
Share of loss from investments in associates	1.7	0.1
Other net losses	-	1.9
	$ (93.3)	$ (41.9)
Changes in operating assets and liabilities:		
Reinsurance contract assets	$ (15.8)	$ (25.3)
Other operating assets	(2.6)	(14.7)
Insurance contract liabilities	109.5	(83.9)
Accounts payable and other liabilities	(25.6)	(15.0)
	$ 65.5	$ (138.9)

The following table shows other operating activity cash flows included in the consolidated statements of cash flows:

(in millions of dollars)	2024	2023
Interest received	$ 148.4	$ 134.7
Dividends received	38.3	37.0
Interest paid	9.5	5.3

25. COMMITMENTS AND CONTINGENCIES

Commitments

The Company's commitments include lease commitments and certain non-cancellable contractual commitments. The Company's non-owned buildings, motor vehicles, computers, and office equipment are supplied through leases. The future contractual aggregate minimum lease payments under non-cancellable leases and other commitments are as follows:

(in millions of dollars)	2024
Within 1 year	$ 77.0
Later than 1 year but not later than 5 years	86.6
Later than 5 years	37.1

Under certain circumstances, the Company may be required to acquire outstanding share ownership of various strategically aligned brokers in accordance with the terms of the Company's contracts with those brokers.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies
In addition to litigation relating to claims made in respect of insurance policies written, the Company is subject to other litigation arising in the normal course of conducting its business. The Company is of the opinion that this non-claims litigation will not have a significant effect on its financial position, results of operations, or cash flows.

Along with many other P&C insurers in Canada, Definity Insurance has been named as a defendant in litigation in Ontario for business interruption losses related to the COVID-19 pandemic, seeking to establish coverage under insurance policies. The Ontario class action on behalf of a national class (excluding Québec) proceeded to trial in 2023 on certain key issues, with a favourable outcome for Definity Insurance and other insurers. The trial decision was upheld on appeal in 2024. While this was not the end of this litigation and other issues remain outstanding, the trial decision represents a major success for Definity Insurance. Definity Insurance was also previously a defendant in similar class proceedings in other provinces, all of which have either been rejected or discontinued as against Definity Insurance.

26. RELATED PARTY TRANSACTIONS

From time to time, the Company enters into transactions in the normal course of business with certain directors, senior officers, and companies with which it is related. These transactions are measured at their exchange amounts.

The compensation of key management personnel, defined as the Company's directors and the executive leadership team, was as follows:

(in millions of dollars)		2024		2023
Salaries	$	6.7	$	6.3
Short-term incentive plan		5.7		4.0
Share-based compensation plans		17.9		11.0
Retention and signing bonuses		0.1		0.1
Post-employment defined contribution pension benefits		0.9		0.9
Other short-term employment benefits		0.1		0.3
Directors' fees[1]		1.5		1.3
	$	32.9	$	23.9

[1] Directors' fees disclosed above include fees accrued in respect of all controlled entities in the group.

Post-employment benefit plans
The Company makes contributions to post-employment benefit plans on behalf of its employees, including both defined contribution and defined benefit plans. Information regarding transactions with the plans is included in note 21.

27. OPERATING SEGMENTS

The Company's management and directors review the results of operations based on one reportable segment. The operating results of this segment are regularly reviewed by the Company's senior management to make decisions about the allocation of resources and to assess the performance of the Company.