

Intact Financial Corporation

Consolidated Financial Statements

For the years ended December 31, 2024 and 2023



Management's responsibility for financial reporting

Management is responsible for the preparation and presentation of the Consolidated financial statements of Intact Financial Corporation and its subsidiaries, collectively known as "the Company". This responsibility includes selecting appropriate accounting policies and making estimates and informed judgments based on the anticipated impact of current transactions, events and trends, consistent with International Financial Reporting Standards.

In meeting its responsibility for the reliability of consolidated financial statements, management maintains and relies on a comprehensive system of internal control comprising organizational procedural controls and internal controls over financial reporting. The Company's system of internal control includes the communication of policies and of the Company's Code of Conduct, proper segregation of duties, delegation of authority for transactions, personal accountability, selection and training of personnel, safeguarding of assets and maintenance of records. The system of internal controls is reviewed and evaluated on an ongoing basis by management and the Company's Group Financial Control function.

The Company's Board of Directors, acting through the Audit Committee, which is composed entirely of independent Directors who are neither officers nor employees of the Company, oversees management's responsibility for the design and operation of effective financial reporting and internal controls, as well as the preparation and presentation of financial information.

The Audit Committee conducts such review and inquiry of management and the internal and external auditors as it deems necessary to establish that the Company employs an appropriate system of internal control, adheres to legislative and regulatory requirements and applies the Company's Code of Conduct. The internal and external auditors, the Group Financial Control function, and the Group Chief Risk and Actuarial Officer, have full and unrestricted access to the Audit Committee, with and without the presence of management.

The Regional Chief Actuaries, who are members of management, are appointed by the relevant entity Board of the Company. The Regional Chief Actuaries are responsible for discharging the various actuarial responsibilities and conduct a valuation of claims liabilities, in accordance with generally accepted actuarial standards, reporting results to management and the Audit Committee.

The Company's external auditors, Ernst & Young LLP, are appointed by the shareholders to conduct an independent audit of the Consolidated financial statements of the Company and meet separately with both management and the Audit Committee to discuss the results of their audit, financial reporting and related matters. The Independent Auditor's Report to shareholders appears on the following pages.

February 11, 2025



Charles Brindamour
Chief Executive Officer



Louis Marcotte
Executive Vice President and
Chief Financial Officer

Independent auditor's report

To the shareholders of
Intact Financial Corporation

Opinion

We have audited the consolidated financial statements of **Intact 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 IFRS Accounting Standards.

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 the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each 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 the liability for incurred claims

The Company describes its material accounting judgments, estimates and assumptions in relation to the valuation of insurance contract liabilities, which include the liability for incurred claims, in note 4 and note 10 to the consolidated financial statements. As at December 31, 2024, the Company recognized insurance contract liabilities amounting to \$31.9 billion, of which the liability for incurred claims was \$24.0 billion and represented 58% of total liabilities.



The principal consideration for our conclusion that the liability for incurred claims is a key audit matter is that its determination involves the application of models, methodologies, and assumptions that require significant auditor attention. 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 represents the likely outcome from the range of possible outcomes, considering the uncertainties involved, including the impact of the changes in the prevailing social, economic and legal environment. As a result, estimates of the liability for incurred claims have a high degree of estimation uncertainty and may materially change in future periods.

Our audit procedures related to the determination of the liability for incurred claims included the following, among other procedures:

- Obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls related to the claims handling portion of the liability for incurred claims processes, including the integrity of data flows through the administration systems for the majority of the Company's business in Canada and the United States;
- Obtained an understanding of the Company's actuarial methodologies and assessed whether they were determined in accordance with IFRS 17 - *Insurance Contracts*;
- Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management;
- Performed an independent valuation of the liability for incurred claims, with the support of our actuarial specialists, for a sample of lines of business that reflected our expectations based on the Company's historical experience, current trends, inflation, and benchmarking to our industry knowledge including information relating to forthcoming legislation and the changes in the prevailing social, economic and legal environment that could affect claims settlement in terms of speed or amount;
- Performed data integrity testing of incurred claims, paid claims, and earned premiums used in the valuation of liability for incurred claims; and
- Assessed the adequacy of the disclosures pertaining to the liability for incurred claims provided in note 10 to the consolidated financial statements.

Other information

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

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the 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 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 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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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 Doru Pantea.

Ernst & Young LLP

Toronto, Canada
February 11, 2025

Chartered Professional Accountants
Licensed Public Accountants



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Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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Consolidated Balance Sheets

(in millions of Canadian dollars, except as otherwise noted)

As at	Note	December 31, 2024	December 31, 2023
Assets			
Investments	6		
Cash and cash equivalents		\$ 1,145	\$ 1,171
Debt securities		29,771	28,436
Preferred shares		1,660	1,384
Common shares		6,350	4,668
Investment property		571	480
Loans		785	944
Total investments		40,282	37,083
Reinsurance contract assets	10	4,788	5,217
Income taxes receivable		71	57
Deferred tax assets	26	744	811
Investments in associates and joint ventures	14	940	944
Property and equipment	15	820	799
Intangible assets	13	5,060	5,047
Goodwill	13	4,507	4,085
Other assets	16	2,314	1,936
Total assets		\$ 59,526	\$ 55,979
Liabilities			
Insurance contract liabilities	10	\$ 31,900	\$ 30,353
Income taxes payable		142	205
Deferred tax liabilities	26	593	726
Debt outstanding	17	4,681	5,081
Other liabilities	16	4,062	3,139
Total liabilities		\$ 41,378	\$ 39,504
Equity			
Common shares		\$ 8,126	\$ 8,099
Preferred shares and other equity		1,619	1,619
Share capital	18	9,745	9,718
Contributed surplus		298	290
Retained earnings		7,922	6,503
Accumulated other comprehensive income (loss)	20	183	(321)
Equity attributable to shareholders		18,148	16,190
Equity attributable to non-controlling interests	19	-	285
Total equity		\$ 18,148	\$ 16,475
Total liabilities and equity		\$ 59,526	\$ 55,979

See accompanying notes to the Consolidated financial statements.

On behalf of the Board:

Charles Brindamour
Director

Jane E. Kinney
Director

Consolidated Statements of Income

(in millions of Canadian dollars, except as otherwise noted)

Years ended December 31,	Note	2024	2023
Insurance revenue	10	\$ 26,523	\$ 25,507
Insurance service expense	10, 24	(22,418)	(22,584)
Insurance service result from insurance contracts		4,105	2,923
Expense from reinsurance contracts	10	(2,579)	(3,056)
Income from reinsurance contracts	10	1,660	2,442
Net expense from reinsurance contracts		(919)	(614)
Insurance service result		3,186	2,309
Net investment income	22	1,559	1,346
Net gains (losses) on investment portfolio	22	148	249
Net investment return		1,707	1,595
Insurance finance income (expense)	22	(1,083)	(1,091)
Reinsurance finance income (expense)	22	184	197
Net insurance financial result		(899)	(894)
Net investment return and net insurance financial result		808	701
Share of profit from investments in associates and joint ventures	14	89	96
Other net gains (losses)	23	303	50
Other income and expense	23	(879)	(627)
Other finance costs		(222)	(222)
Acquisition, integration and restructuring costs	25	(407)	(503)
Income before income taxes		2,878	1,804
Income tax benefit (expense)	26	(568)	(473)
Net income		\$ 2,310	\$ 1,331
Net income attributable to:			
Shareholders		2,297	1,316
Non-controlling interests	19	13	15
		\$ 2,310	\$ 1,331
Earnings per common share (in dollars)	27		
Basic		\$ 12.37	\$ 6.99
Diluted		\$ 12.36	\$ 6.99
Dividends paid per common share (in dollars)	18	\$ 4.84	\$ 4.40

See accompanying notes to the Consolidated financial statements.

Consolidated Statements of Comprehensive Income

(in millions of Canadian dollars, except as otherwise noted)

Years ended December 31,	Note	2024	2023
Net income		\$ 2,310	\$ 1,331
Items that may be reclassified subsequently to Net income			
FVTOCI debt securities:			
Net changes in unrealized gains (losses)		89	382
Reclassification of net losses (gains)		26	16
Income tax benefit (expense)		(30)	(83)
		85	315
Foreign currency gains (losses) on:			
Translation of foreign operations		811	5
Net investment hedges		(410)	24
Income tax benefit (expense)		18	6
		419	35
		504	350
Items that will not be reclassified subsequently to Net income			
Employee future benefits:			
Actuarial gains (losses), net of other surplus remeasurement	29	23	(1,526)
Income tax benefit (expense)		6	227
		29	(1,299)
FVTOCI equity securities:			
Net changes in unrealized gains (losses)		167	1
Realized gains (losses)		2	-
Income tax benefit (expense)		(54)	(1)
		115	-
		144	(1,299)
Other comprehensive income (loss)		648	(949)
Total comprehensive income (loss)		\$ 2,958	\$ 382
Total comprehensive income (loss) attributable to:			
Shareholders		2,945	367
Non-controlling interests		13	15
		\$ 2,958	\$ 382

See accompanying notes to the Consolidated financial statements.

Consolidated Statements of Changes in Equity

(in millions of Canadian dollars, except as otherwise noted)

	Note	Equity attributable to shareholders				Equity attributable to NCI	Total Equity
		Share Capital	Contributed surplus	Retained earnings	AOCI		
Balance as at January 1, 2024		\$ 9,718	\$ 290	\$ 6,503	\$ (321)	\$ 285	\$ 16,475
Net income		-	-	2,297	-	13	2,310
Other comprehensive income (loss)		-	-	144	504	-	648
Total comprehensive income (loss)		-	-	2,441	504	13	2,958
Issuance of common shares	18	32	-	-	-	-	32
Repurchase of common shares for cancellation	18	(5)	-	(19)	-	-	(24)
Dividends and other distributions:							
Common shares		-	-	(863)	-	-	(863)
Preferred shares and other equity		-	-	(90)	-	-	(90)
Share-based payment plans		-	8	(56)	-	-	(48)
Non-controlling interests:							
Dividends		-	-	-	-	(13)	(13)
Cancellation	19	-	-	6	-	(285)	(279)
Balance as at December 31, 2024		\$ 9,745	\$ 298	\$ 7,922	\$ 183	\$ -	\$ 18,148
Balance as at January 1, 2023		\$ 8,864	\$ 269	\$ 7,379	\$ (671)	\$ 285	\$ 16,126
Net income		-	-	1,316	-	15	1,331
Other comprehensive income (loss)		-	-	(1,299)	350	-	(949)
Total comprehensive income (loss)		-	-	17	350	15	382
Issuance of common shares	18	557	-	-	-	-	557
Issuance of preferred shares and other equity	18	297	-	-	-	-	297
Dividends and other distributions:							
Common shares		-	-	(778)	-	-	(778)
Preferred shares and other equity		-	-	(84)	-	-	(84)
Share-based payment plans		-	21	(31)	-	-	(10)
Non-controlling interests:							
Dividends		-	-	-	-	(15)	(15)
Balance as at December 31, 2023		\$ 9,718	\$ 290	\$ 6,503	\$ (321)	\$ 285	\$ 16,475

See accompanying notes to the Consolidated financial statements.

Consolidated Statements of Cash Flows

(in millions of Canadian dollars, except as otherwise noted)

Years ended December 31,	Note	2024	2023
Operating activities			
Income before income taxes		\$ 2,878	\$ 1,804
Income tax received (paid), net		(745)	(153)
Adjustments for non-cash items	31	294	445
Changes in other operating assets and liabilities	31	960	(250)
Net cash flows provided by (used in) operating activities		3,387	1,846
Investing activities			
Business combinations, net of cash acquired	5	-	(869)
Proceeds from sale of business	5	145	-
Proceeds from sale of investments		29,989	31,930
Purchase of investments		(31,129)	(32,482)
Proceeds from sale of (purchases of) brokerages and other equity investments, net		(190)	(126)
Purchase of intangibles and property and equipment, net		(429)	(458)
Net cash flows provided by (used in) investing activities		(1,614)	(2,005)
Financing activities			
Payment of lease liabilities		(98)	(90)
Proceeds from issuance of debt, net	17	298	799
Repayment of debt	17	(663)	(198)
Borrowing on (repayment of) the credit facility and commercial paper	17	(105)	(32)
Proceeds from issuance of common shares, net	18	-	551
Proceeds from issuance of common shares on exercise of stock options	18	11	-
Proceeds from issuance of preferred shares and other equity, net	18	-	296
Repurchase of common shares for cancellation	18	(24)	-
Repurchase of common shares for share-based payments	28	(180)	(128)
Payment of dividends on common shares and preferred shares, and other equity distributions	18	(953)	(862)
Payment of dividends to non-controlling interests	19	(13)	(15)
Cancellation of non-controlling interests	19	(279)	-
Net cash flows provided by (used in) financing activities		(2,006)	321
Net increase (decrease) in cash and cash equivalents		(233)	162
Cash and cash equivalents, net of bank overdraft, beginning of year		1,171	1,010
Exchange rate differences on cash and cash equivalents		59	(1)
Cash and cash equivalents, net of bank overdraft, end of year	31	\$ 997	\$ 1,171

See accompanying notes to the Consolidated financial statements.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Glossary of abbreviations

12mECL	12-month expected credit loss	LTECL	Lifetime expected credit loss
ABS	Asset-backed securities	LTIP	Long term incentive plan
AIC	Asset for incurred claims	MBS	Mortgage-backed securities
AMF	Autorité des marchés financiers	MCT	Minimum capital test (Canada)
AOCI	Accumulated other comprehensive income	MD&A	Management's Discussion and Analysis
ARC	Asset for remaining coverage	NAV	Net assets value
CAD	Canadian Dollar	NCI	Non-controlling interests
CALs	Company action levels	NCIB	Normal course issuer bid
CAN	Canada	NOI	Net operating income
CDOR	Canadian Dollar Offered Rate	OCI	Other comprehensive income
CGU	Cash generating unit	OSFI	Office of the Superintendent of Financial Institutions
CPI	Consumer price index	PAA	Premium Allocation Approach
DB	Defined benefits	P&C	Property and casualty
DSU	Deferred share unit	PSU	Performance stock units
ECL	Expected credit losses	PTOI	Pre-tax operating income
EPS	Earnings per share to common shareholders	RBC	Risk-based capital (US)
ESOP	Executive stock option plan	ROE	Return on equity
ESPP	Employee share purchase plan	RPI	Retail price index
EUR (€)	Euro, currency of the European Union	RSA	RSA Insurance Group Limited, a subsidiary domiciled in the UK (parent of UK&I business)
FVTOCI	Fair value through other comprehensive income	RSU	Restricted stock units
FVTPL	Fair value through profit or loss	SAR	Stock appreciation rights
GBP (£)	British pound sterling, UK's official currency	SCR	Solvency Capital Requirement (Europe)
GDP	Gross domestic product	SOFR	Secured Overnight Financing Rate
GMM	General Measurement Model	SONIA	Sterling overnight index average
IAS	International Accounting Standard	SPPI	Solely payments of principal and interest
IASB	International Accounting Standards Board	TSX	Toronto Stock Exchange
IFRS	International Financial Reporting Standards	UK	United Kingdom
JV	Joint ventures	UK&I	United Kingdom and International
LIC	Liability for incurred claims	US	United States
LRC	Liability for remaining coverage	USD	US Dollar
LRCN	Limited recourse capital notes		

Note 1 – Status of the Company

Intact Financial Corporation (the "Company"), incorporated under the *Canada Business Corporations Act*, is domiciled in Canada and its shares are publicly traded on the Toronto Stock Exchange (TSX: IFC). The Company has investments in wholly owned subsidiaries which operate principally in the Canadian, UK, European, and US P&C insurance markets. The Company, through its operating subsidiaries, principally underwrites automobile, home, as well as commercial P&C contracts to individuals and businesses.

These Consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's significant operating subsidiaries are presented in *Note 30 – Segment information*.

The registered office of the Company is 700 University Avenue, Suite 1500, Toronto, Ontario, Canada, M5G 0A1.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 2 – Adoption of new accounting standards

2.1 Amendments to IAS 1 – Presentation of Financial Statements

The Company adopted the amendments to IAS 1 – *Presentation of Financial Statements* (“IAS 1”) on January 1, 2024. These amendments clarify how covenants with which an entity must comply on or before the reporting date affect the classification of a liability. They also require an entity to disclose additional information in the notes to the financial statements to enable stakeholders to understand the risk that non-current liabilities could become repayable within twelve months after the reporting date.

The amendments were applied retrospectively with no financial impact on these Consolidated financial statements. Refer to **Note 17 – Debt outstanding** for additional disclosures.

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Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

3.1 Basis of presentation

These Consolidated financial statements and the accompanying notes are prepared in accordance with IFRS Accounting Standards, as issued by the IASB. They were authorized for issue in accordance with a resolution of the Board of Directors on February 11, 2025.

The material accounting policies applied in the preparation of these Consolidated financial statements are described below. These policies have been applied consistently to all periods presented, except for the amendments to existing standards adopted on January 1, 2024, as described in **Note 2 – Adoption of new accounting standards**.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

The Company presents its Consolidated balance sheets broadly in order of liquidity.

3.2 Basis of consolidation

These Consolidated financial statements include the accounts of the Company and its subsidiaries. **Table 3.1** presents the basis of consolidation.

In some cases, voting rights in themselves are not sufficient to assess power or significant influence over the relevant activities of the investee or the sharing of control in a joint arrangement. In such cases, judgment is applied through the analysis of management agreements, the effectiveness of voting rights, the significance of the benefits to which the Company is exposed and the degree to which the Company can use its power to affect its returns from investees.

Acquisitions or disposals of equity interests in a subsidiary that do not result in the Company obtaining or losing control are treated as equity transactions and recognized as acquisitions or disposals of NCI in the Consolidated statements of changes in equity. All balances, transactions, income and expenses and profits and losses resulting from intercompany transactions and dividends are eliminated on consolidation.

Table 3.1 – Basis of consolidation

Investment category	Shareholding	Accounting policies
Subsidiaries Entities over which the Company: - has the power over the relevant activities of the investee; - is exposed, or has rights to variable returns from its involvement with the investee; and - has the ability to affect those returns through its power over the investee.	Generally, more than 50% of voting rights	All subsidiaries are fully consolidated from the date control is transferred to the Company. They are deconsolidated from the date control ceases and any gain or loss is recognized in Other net gains (losses).
Associates Entities over which the Company: - has the power to participate in the decisions over the relevant activities of the investee; but - does not have control.	Generally, between 20% to 50% of voting rights	Equity method ¹ Note 3.8 for more details
Joint ventures Joint arrangements whereby the parties have: - joint control of the arrangements, requiring unanimous consent of the parties sharing control for strategic and operating decision making; and - rights to the net assets of the arrangements.	Generally, an equal percentage of voting rights from each party to the joint arrangement	Equity method ¹ Note 3.8 for more details

¹ Unless the investment is held by a venture capital organization, in which case the Company may elect to measure it at FVTPL.

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(in millions of Canadian dollars, except as otherwise noted)

3.3 Insurance and reinsurance contracts

a) Classification and summary of measurement models

Insurance contracts transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. As a general guideline, the Company determines whether it has significant insurance risks by comparing the benefits that could become payable under various possible scenarios relative to the premium received from the policyholder for insuring the risk.

The Company issues insurance contracts in the normal course of business (direct business) and holds reinsurance contracts (ceded business), under which it is compensated by other entities for claims arising from one or more insurance contracts issued by the Company. The Company may acquire insurance and reinsurance contracts through a business combination or transfer of contracts. Claims and ceded claims acquired in a business combination ("acquired claims") in the scope of IFRS 3 – *Business combinations* ("IFRS 3") are treated as new insurance contracts issued by the Company at the date of their acquisition. All references to insurance and reinsurance contracts include contracts issued, held, and acquired by the Company, unless otherwise stated.

The Company uses different measurement models depending on the type of contract. The Company chose to apply the simplified measurement model (the PAA) for all of its insurance and reinsurance contracts except in limited circumstances where the GMM is required as described in the following table. The GMM is the default model for the recognition and measurement of insurance contracts; however, there is an option to use the PAA for contracts that have a coverage period of one year or less or if the resulting liability for remaining coverage (insurance coverage to be provided after the reporting period) is not expected to materially differ from its measurement under the GMM.

Table 3.2 – Summary of the Company's types of contracts and measurement models

Type of contracts	Measurement model
All of the Company's insurance and reinsurance contracts except for acquired claims and retroactive reinsurance contracts.	PAA (refer to Table 3.4)
Acquired claims including those from the RSA acquisition on June 1, 2021 and any future acquisitions.	GMM (refer to Table 3.6)
Retroactive reinsurance contracts to cover adverse development of existing claims mainly in the UK&I and US.	GMM (refer to Table 3.6)

b) Separating components from insurance and reinsurance contracts

Insurance and reinsurance contracts are assessed to determine whether they contain components which must be accounted for under an IFRS Accounting Standard other than the insurance contract standard. The Company's insurance and reinsurance contracts do not include such components.

Also, the Company applies judgment when particular facts and circumstances require the separation of its insurance contracts into distinct insurance components. The Company's judgment is based on interdependency between the different risks covered, whether components lapse together and whether components can be priced and purchased separately.

A limited number of insurance contracts contain profit commission arrangements where the policyholder will always receive a minimum guaranteed amount irrespective of the insured event occurring. The Company assessed the minimum guaranteed amount to be highly interrelated with the insurance component; as a result, they are considered non-distinct investment components and are not accounted for separately. Investment components are excluded from Insurance revenue and Insurance service expense with no impact on Net income.

c) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and groups for measurement purposes. Portfolios are comprised of contracts with similar risks which are managed together. The Company divides its direct and ceded business into portfolios. Management uses judgment in establishing its various portfolios, the drivers considered include the main geographic areas, lines of businesses, distribution channels, and legal entities in which it operates. Portfolios are then divided into groups of contracts based on expected profitability. Groups do not contain contracts issued more than one year apart since they are further subdivided into annual cohorts.

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Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities are presented separately in the Consolidated balance sheets.

Portfolios and groups may change prospectively if there are changes to how the Company manages its business.

d) Recognition

The Company initially 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 is due or when the first payment is received if there is no due date; or
- The issue date when the group of insurance contracts is onerous.

The Company initially recognizes a group of reinsurance contracts held:

- From the beginning of the coverage period of the group unless the reinsurance contracts provide proportionate coverage, in which case it is from the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; or
- The date the Company recognizes an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract at or before that date.

Acquired direct claims and acquired ceded claims are treated as new insurance contracts issued and reinsurance contracts held at the date of their acquisition.

Groups of contracts are established on initial recognition. The Company adds new contracts to the group when they individually meet the criteria above. Composition of groups is not revised subsequently.

Any premiums received before the recognition of the corresponding group of insurance contracts are recognized as deferred revenues in Other liabilities. When a group of contracts is recognized as per above the premiums received are reclassified to the liability for remaining coverage.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

e) Contract boundary

The measurement of groups of insurance and reinsurance contracts includes all the future cash flows within the boundary of each contract.

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or has a substantive obligation to provide the policyholder with services.

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

f) Measurement models

The carrying amount of a group of insurance and reinsurance contracts at the end of each reporting period is composed of the following:

Table 3.3 – Basic components of insurance and reinsurance contracts

Component	Description	Relates to
Liability for remaining coverage	The obligation to provide coverage after the reporting period for insured events that have not yet occurred.	Future service
Liability for incurred claims	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.	Past service
Asset for remaining coverage	The right to receive coverage from a reinsurer after the reporting period for reinsured events that have not yet occurred.	Future service
Asset for incurred claims	The right to receive compensation for reinsured events that have already occurred, including events that have occurred but for which reinsured claims have not been reported.	Past service

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Premium Allocation Approach

The Company applies the PAA when measuring the liability for remaining coverage as follows:

Table 3.4 – Summary of the PAA for the liability for remaining coverage

Topic	Description
Overview	The PAA is a simplified measurement model which may be applied to insurance contracts when: • The coverage period is one year or less; or • For contracts longer than one year if there is no material difference in the liability for remaining coverage measured under both the PAA and the GMM.
Contracts applying this model	The Company applies the PAA to all of its insurance and reinsurance contracts, except in limited circumstances where the GMM is required (refer to Table 3.6).
Initial and subsequent measurement	The liability for remaining coverage includes: • Premiums received; • Minus insurance acquisition cash flows paid net of the amortization of the insurance acquisition cash flows recognized (refer to j) Insurance service expense below); • Minus amounts recognized as insurance revenue for the services provided, generally allocated based on the passage of time which is usually 12 months (refer to i) Insurance revenue below); • Any investment component paid or transferred to the liability for incurred claims; and • Loss component for onerous contracts.
Insurance acquisition cash flows	Insurance acquisition cash flows are costs directly attributable to selling or underwriting a portfolio of insurance contracts and are presented in the liability for remaining coverage. These cash flows include: • Direct costs such as commissions and premium taxes; and • An allocation of indirect costs such as salaries, rent and technology costs. Management used judgment in determining the drivers used to allocate indirect costs to groups of insurance contracts.
Onerous contracts	The Company assumes that no contracts in a portfolio are potentially onerous at initial recognition unless facts and circumstances indicate otherwise. The Company has developed a methodology for identifying indicators of possible onerous contracts, which includes internal management information on planning information, forecast information and historical experience. In addition, the Company has developed models for measuring potential onerous contract losses (refer to Onerous contracts below).
Other elections	The Company has elected to: • Not discount the liability for remaining coverage under the PAA; and • Capitalize all insurance acquisition cash flows to the related group and amortize these costs over the coverage period of the related group.
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts, except: • They are adapted to reflect the features of reinsurance contracts that differ from insurance contracts, for example the generation of expenses or reduction in expenses rather than revenue; • They include an allowance for non-performance risk by the reinsurer (which is presented in Net expense from reinsurance contracts); and • The risk adjustment represents the amount of risk being transferred to the reinsurer.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

For contracts measured under the PAA, the Company measures the liability for incurred claims as follows:

Table 3.5 – Summary of the PAA for the liability for incurred claims

Topic	Description
Liability for incurred claims	Generally, the liability for incurred claims is discounted to consider the time value money (refer to Discount rate below). However, for contracts measured under the PAA only, the Company is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred. The Company has elected to discount all of its liability for incurred claims. The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. 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 flow. They reflect current estimates from the perspective of the Company and include an explicit risk adjustment (refer to Risk adjustment below). Liability for incurred claims include periodic payment orders which are settlements in the form of annuities awarded by UK courts on some high value injury claims where the claimant's quality of life has been impaired due to severe injuries. These annuities are payable until death and increase annually, applying a defined index set in the court decision, usually linked to care provider professionals' salaries and are eligible for reinsurance where applicable. Refer to Note 10.4 – Material accounting judgments, estimates and assumptions for more details.

Onerous contracts

A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in Net income in Insurance service expense. The loss component is then amortized to Net income over the coverage period to offset incurred claims in Insurance service expense. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance. Refer to **Table 3.4** and **Table 3.6** for more details.

At initial recognition, the loss recovery component is calculated by multiplying the initial loss recognized on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts. The loss recovery component is included in the asset for remaining coverage and the recovery is recognized immediately in Net income in Income from reinsurance contracts. The loss recovery is subsequently amortized in Income from reinsurance contracts.

During the coverage period, if facts and circumstances indicate that a group of insurance contracts is potentially onerous, the Company applies the same analysis it has performed for groups potentially onerous at initial recognition.

For more details on identifying onerous contracts under the PAA model, refer to **Table 3.4**.

Discount rate

The liability for incurred claims under the PAA and the GMM and the liability for remaining coverage under the GMM are discounted. Estimates of future cash flows are discounted to reflect the time value of money and financial risk that considers the characteristics of the liabilities and the duration of each portfolio. The Company has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of the applicable insurance contracts. Refer to **Note 10.4 – Material accounting judgments, estimates and assumptions** for more details.

Risk adjustment

The measurement of insurance contracts includes a risk adjustment for non-financial risk which is the compensation required for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment includes the benefit of diversification and excludes the impact of financial risks. Refer to **Note 10.4 – Material accounting judgments, estimates and assumptions** for more details.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

General Measurement Model

The Company applies the GMM when measuring the liability for remaining coverage as follows:

Table 3.6 – Summary of the GMM for the liability for remaining coverage

Topic	Description
Overview	The GMM is the default model to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. The liability for remaining coverage includes: - Fulfilment cash flows which are comprised of: - Discounted estimates of future cash flows (refer to Discount rate above and Note 10.4 – Material accounting judgments, estimates and assumptions for more details); and - A risk adjustment (refer to Risk adjustment above) which is the compensation required for bearing uncertainty; and - Contractual service margin which is the unearned profit that is recognized as services are provided.
Contracts applying this model	The Company applies the GMM to a limited number of contracts including: - Acquired claims from the RSA acquisition and any future acquisitions (refer to Table 3.7 for more details); and - Retroactive reinsurance contracts to cover adverse development of existing claims mainly in the UK&I and US segments.
Initial and subsequent measurement	At initial recognition, unless the group of contracts is onerous, the contractual service margin is measured at an amount that results in no income nor expense arising from: - Initial recognition of fulfilment cash flows; and - Any cash flows arising from the contracts in the group. Subsequently, the contractual service margin is adjusted for: - The effect of any new contracts; - Interest accreted at the discount rates at initial recognition (locked-in discount rate); - Changes in fulfilment cash flows relating to future service, except to the extent that such: - Increases exceed the contractual service margin, in which case the excess is recognized as a loss in Net income and a loss component is recognized; and - Decreases are allocated to the loss component, reversing losses previously recognized in Net income; - The effect of any currency exchange differences; and - Amounts recognized as insurance revenue for services provided, determined by allocating the contractual service margin over the current and remaining service coverage period which is the expected claims settlement pattern for acquired claims. Changes in fulfilment cash flows related to current services are recognized immediately in Net income which include: - Changes in risk adjustment for expired risk; and - Experience adjustments which are the difference between estimated premiums and claims and other insurance service expense incurred in the period.
Onerous contracts	Groups of contracts are assessed as onerous when fulfilment cash flows exceed the carrying amount of the liability for remaining coverage (refer to Onerous contracts above). Refer to the Subsequent measurement section of Table 3.7 for onerous contracts in the context of acquired claims.
Other elections	Estimates made in previous interim periods are revised therefore cash flows are measured on a year-to-date basis.
Reinsurance contracts	Reinsurance contracts are measured on the same basis as insurance contracts, except: - They include an allowance for non-performance risk by the reinsurer (which is presented in Net expense from reinsurance contracts); - The risk adjustment represents the amount of risk being transferred to the reinsurer; - Day 1 gains/losses are recognized initially as a contractual service margin and released to Net income as the reinsurer renders services, except for day 1 losses related to events before initial recognition; and - Changes in fulfilment cash flows adjust the contractual service margin only to the extent that they relate to changes in underlying fulfilment cash flows that have adjusted the underlying contractual service margin. Any changes to the reinsurance contracts' fulfilment cash flows outside this limit are recognized immediately in Net income.

For contracts measured under the GMM, the liability for incurred claims is measured similar to that under PAA. Refer to **Table 3.5**.

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(in millions of Canadian dollars, except as otherwise noted)

g) Claims acquired in a business combination in the scope of IFRS 3

Table 3.7 – Summary of the claims acquired in a business combination

Topic	Description
Overview	Acquired claims are treated as new insurance contracts issued by the Company at the date of their acquisition. The Company is deemed to have received a premium in consideration to cover adverse development and the settlement of future claims which is expected to be long tail, and as a result the GMM must be applied. Consequently, acquired direct claims are reclassified as a liability for remaining coverage (acquired ceded claims are reclassified as an asset for remaining coverage) in the acquirer's Consolidated balance sheets. Additionally, a loss component may be recognized after the acquisition if the Company pays claims later than initially anticipated. There is a gross presentation in Net income of Insurance service revenue representing the liability for remaining coverage recognized over the claims settlement pattern and expenses representing the settlement of claims.
Contracts applying this model	Acquired claims from the RSA acquisition on June 1, 2021 and any future acquisitions.
Initial recognition (Acquisition date)	At initial recognition, the Company identifies the groups of contracts acquired based on the level of aggregation requirements as if it entered into the contracts at the date of the acquisition. For measurement purposes, the consideration received or paid for the contracts is treated as a proxy for the premiums received and excludes any consideration for other assets and liabilities acquired in the same transaction. This consideration is deemed to be the contracts' fair value at the date of the acquisition. The Company compares the fair value of acquired claims to its measurement of fulfilment cash flows related to the acquired claims. If the fair value exceeds the fulfilment cash flows, a contractual service margin is established at initial recognition. If the fulfilment cash flows exceed the fair value, the difference is treated as a loss component and adjusts the goodwill or gain on bargain purchase.
Subsequent measurement	The Company measures these contracts following the GMM (refer to Table 3.6). The liability for remaining coverage is released into Net income over the coverage period based on coverage units provided during the period. Coverage units are based on the expected claims settlement pattern, as they expire: • The contractual service margin is released into Insurance revenue; and • The loss component is released into Insurance service expense. As claims are settled, they are recognized as Insurance service expense. For more details regarding coverage units, refer to Note 10.4 – Material accounting judgments, estimates and assumptions. Since the expected settlement pattern is used to determine how insurance revenue will be recognized, any unexpected changes in payments beyond the reporting date such as developments in fulfilment cash flows or changes in timing, will be recognized within the contractual service margin or the loss component as follows: • Unexpected increases will either erode any existing contractual service margin until exhausted and establish a loss component for the excess or will increase any existing loss component; and • Unexpected decreases will either erode any existing loss component until exhausted and establish a contractual service margin for the excess or will increase any existing contractual service margin.

h) Modification and derecognition

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the contract are extinguished; or
- The contract is modified such that it results in a change in the measurement model, substantially changes the contract boundary, or requires the modified contract to be included in a different group.

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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 as an adjustment to the relevant liability for remaining coverage.

i) Insurance revenue

Insurance revenue on direct business is allocated over the coverage period of the contract and includes:

- Premium receipts net of cancellations and promotional returns, and excluding sales taxes and any investment components; and
- Other insurance revenue which includes fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans and fees received for the administration of other policies.

j) Insurance service expense

Insurance service expense includes fulfilment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of indirect costs. It is composed of the following:

- Incurred claims and other insurance service expense, which are fulfilment cash flows and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts (excluding any investment component);
- Amortization of insurance acquisition cash flows (refer to **Table 3.4** and **Table 3.6** for more details); and
- Losses and reversals on onerous contracts (refer to **Onerous contracts** above for more details).

The Company has elected to present changes in risk adjustment related to the non-financial portion in Insurance service result and changes in the financial portion (discount unwinding and changes in discount rates) in Net insurance financial result.

k) Insurance finance income and expense

Insurance finance income and expense comprise the change in the carrying amount of the group of insurance contracts arising from:

- The discount unwinding;
- Changes in discount rates;
- The effect of financial risk and changes in financial risk; and
- Net foreign currency gains (losses).

The Company has elected to record changes in discount rates in Net income in Net insurance financial result.

l) Net expense from reinsurance contracts

Net expense from reinsurance contracts comprises of the amounts expected to be recovered from reinsurers (Income from reinsurance contracts) and an allocation of the reinsurance premiums paid (Expense from reinsurance contracts).

The Company treats reinsurance cash flows that are contingent on claims of the underlying contracts as part of the amounts recoverable from reinsurers and includes ceded commissions not contingent on claims as a reduction of the premiums paid to reinsurers.

m) Other income and expense

The Company also has contracts other than insurance and reinsurance contracts which are recognized in Other income on an accrual basis. They mainly include commission revenues received from external insurance providers by consolidated brokers and revenues related to supply chain operations.

Other expense includes expenses that are not directly attributable to insurance contracts, the amortization of acquired intangible assets, and administrative expenses.

3.4 Financial instruments

a) Classification and measurement of financial assets and financial liabilities

Debt instruments

The classification and measurement of debt instruments is dependent on the business model under which the Company manages its investments as well as their cash flow characteristics (refer to **SPPI assessment** below). They are reclassified when and only when the business model for managing those assets changes.

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Table 3.8 – Classification of the Company's debt instruments

Amortized cost	FVTOCI	FVTPL
Assets held for the collection of contractual cash flows. Cash flows represent solely payments of principal and interest.	Assets held for the collection of contractual cash flows and for the sale of financial assets. Cash flows represent solely payments of principal and interest.	Assets that do not meet the criteria for amortized cost nor FVTOCI are measured at FVTPL. An irrevocable election can be made (on an instrument-by-instrument basis) to designate assets as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Business model assessment

The Company determines its investment business model by considering its insurance activities. In addition, judgment is used in concluding which model aligns best with its core business objectives and practices. Factors that are used in business model decisions include how insurance business generate benefits, significant risks facing the business on asset and liability fronts, how compensation is determined for portfolio managers responsible for managing investments, as well as historical and projected turnover of the investment portfolio to fund insurance business on a day-to-day basis. The Company's business models fall into two categories, which are indicative of the key strategies to generate returns:

- The Company's primary business model is held-to-collect and sell which provides a desired flexibility to support the Company's insurance business i.e., contractual cash flows from financial assets are collected by holding such investments, and these financial assets are sold when required to fund insurance contract liabilities.
- The Company also carries certain financial assets under the held-to-collect business model where the emphasis is to collect contractual cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

The Company also specifically designates on an individual basis, a portion of investments as FVTPL to reduce accounting mismatch in Net income. This designation is irrevocable.

SPPI assessment

Financial assets which are held within held-to-collect and sell and held-to-collect business models are assessed to evaluate if their contractual cash flows are comprised of SPPI. Contractual cash flows generally meet SPPI criteria if such cash flows reflect compensation for basic credit risk and customary returns from a debt instrument which also includes time value for money. Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Equity instruments

There are two measurement categories under which an equity instrument could be classified: as FVTOCI or FVTPL.

Table 3.9 – Classification of the Company's equity instruments

FVTOCI (without recycling)	FVTPL
Irrevocable election (on an instrument-by-instrument basis) on the date of acquisition. Designation is not permitted if the equity instrument is held for trading.	Default classification for all equity instruments.

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Financial instruments

Table 3.10 – Classification of the Company's most significant financial instruments

Classification	Financial instruments	Description	Initial and subsequent measurement
FVTOCI	Debt securities not backing insurance contracts	Investments intended to be held for an indefinite period and which may be sold in response to liquidity needs or changes in market conditions.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices (except as noted below for Level 3 instruments) at end of period, with changes in fair value recognized in OCI (when unrealized) or in Net gains (losses) on investment portfolio when realized or impaired.
	Preferred shares	Most of the Company's preferred shares portfolios as they are held for the purpose of earning dividend income, with the intent of holding them for the long-term.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices at end of period, with changes in fair value recognized in OCI (without recycling to Net income).
Designated as FVTPL on initial recognition	Debt securities backing insurance contracts	A portion of the Company's investments backing its insurance contracts has been voluntarily designated as FVTPL to eliminate the accounting mismatch caused by fluctuations in fair values of underlying insurance contracts due to changes in discount rates. To comply with regulatory guidelines, the Company ensures that the weighted-dollar duration of debt securities designated as FVTPL is approximately equal to the weighted-dollar duration of insurance contracts.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at fair value using bid prices (for financial assets) or ask prices (for financial liabilities) at end of period, with changes in fair value recognized in Net gains (losses) on investment portfolio, except for contingent considerations which are recognized in Acquisition, integration, and restructuring costs.
Classified as FVTPL	Equity instruments	All common share portfolios and certain preferred shares which are classified as FVTPL.	The effective portion of designated cash flow hedges and net investment hedges in foreign operations is recognized in foreign currency gains (losses) in OCI.
	Derivative financial instruments	Derivatives used for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio as long as the resulting exposures are within the investment policy guidelines.	
	Contingent considerations	Financial liability arising from a business combination to be remeasured at fair value based on future performance.	
	Other instruments	Investments in mutual and private funds.	
Amortized cost – Other financial assets	Cash and cash equivalents	Highly liquid investments held to meet short-term requirements that are readily convertible into a known amount of cash, are subject to an insignificant risk of changes in value and have an original maturity of three months or less.	Initially measured at fair value using transaction prices at the trade date. Subsequently measured at amortized cost using the effective interest method.
	Loans and receivables	Financial assets with fixed or determinable payments not quoted in an active market (including securities purchased under reverse repurchase agreements).	
Amortized cost - Other financial liabilities	Debt outstanding	Financial liabilities with fixed or determinable payments and maturity date, such as the Company's medium-term and subordinated notes, term loans and amount drawn under a credit facility.	Initially measured at fair value at the issuance date net of transaction costs. Subsequently measured at amortized cost using the effective interest method.
	Securities sold under repurchase agreements	The sale of securities together with an agreement to repurchase them in the short-term, at a set price and date.	Initially measured at fair value at the amount owing. Subsequently measured at amortized cost using the effective interest method.

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b) Fair value measurement

The fair value of financial instruments on initial recognition is normally the transaction price, being the fair value of the consideration given or received. After initial recognition, the fair value of financial instruments is determined based on available information and categorized according to a three-level fair value hierarchy.

Table 3.11 – Three-level fair value hierarchy

Levels	Description	Type of financial instruments normally classified as such
Level 1	Quoted prices in active markets for identical assets or liabilities	• Government debt securities¹ • Common shares and preferred shares • Investments in mutual funds • Exchange-traded derivatives
Level 2	Valuation techniques for which all inputs that have a significant effect on the fair value are observable (either directly or indirectly)	• Government and Corporate debt securities not deemed to be Level 1 • Debt outstanding² • ABS and MBS • Over-the-counter derivatives
Level 3	Valuation techniques for which inputs that have a significant effect on the fair value are not based on observable market data	• Loans² • Private funds • Contingent considerations • Investment property • Other investments

¹ Includes securities issued by governments and government agencies of the following countries: Canada, US, UK, Germany, France, Italy, and Japan.

² Measured at amortized cost with fair value disclosed.

Level 1

A financial instrument is regarded as quoted in an active market if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models.

For discounted cash flow models, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics.

- Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments, currencies, market liquidity and financial condition of counterparties.
- Discount rates are influenced by risk free interest rates and credit risk.

The inputs to these models are derived from observable market data where possible. Inputs used in valuations include:

- Prevailing market rates for bonds with similar characteristics and risk profiles;
- Closing prices of the most recent trade date subject to liquidity adjustments; or
- Average brokers' quotes when trades are too sparse to constitute an active market.

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Level 3

The Company uses input parameters that are not based on observable market data. Non-market observable inputs use fair values determined in whole or in part using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgment is required to establish fair values. Changes in assumptions about these factors could affect the recognized fair value of financial instruments.

- **Loans** – The fair value of loans is determined using a valuation technique based on the income approach. Future inflows of principal and interest are discounted using a pre-tax risk-free rate from a Government bonds curve plus a risk premium that is based on the credit risk to which the Company would be exposed from the borrowers. The Company ensures that the discount rate is consistent with borrowing rates on similar loans issued by financial institutions. The Company receives guarantees for loans.
- **Private funds** – Private funds are measured at fair value for which the net assets value (“NAV”) is generally the practical expedient. The Company employs several procedures to assess the reasonableness of the NAV reported by the fund, including obtaining and reviewing periodic and audited financial statements and estimating fair value based on a discounted cash flow model that adds spreads for credit and illiquidity to a risk-free discount rate. Discount rates employed in the model range from 2.8% to 8.7% and have a weighted average of 6.1% as at December 31, 2024 (4.2% to 9.9% and 7.2%, respectively, as at December 31, 2023). In some cases, the Company discusses each fund’s pricing with the fund manager throughout the year. In the event the Company believes that its estimate of the NAV differs from that reported by the fund due to illiquidity or other factors, the Company will adjust the fund’s reported NAV to more appropriately represent the fair value of its interest in the investment.
- **Contingent considerations** – The fair value of the contingent considerations is based on future revenues or profitability metrics discounted using a rate adjusted for specific risks related to the transaction using information as at the measurement date.
- **Investment property** – The fair value is determined, at least annually, at their highest and best use by external independent valuers. The valuation techniques include the comparative method with reference to sales of other comparable buildings as well as discounted cash flow models which consider the net present value of cash flows to be generated from the properties. The cash flow streams reflect the current rent payable to lease expiry, at which point each unit is assumed to be re-let at its estimated rental value. The discount rate considers many factors such as recent transactions on similar properties, building location and quality, tenant credit quality and lease terms. These valuations reflect yield ranges between 5.5% to 12.0% and a weighted average of 6.5% as at December 31, 2024 (5.4% to 12.1% and 6.4%, respectively, as at December 31, 2023).
- **Other investments** – Other investments mainly include direct investments in early-stage companies, fund investments, and investments in brokers for which the Company does not have significant influence nor control. They also include investments in associates held by a venture capital organization that the Company elected to measure at FVTPL in accordance with IFRS 9 – *Financial Instruments* (“IFRS 9”). The fair value is determined using estimates such as future cash flows, discount rates, projected earnings multiples, multiples of broker commissions, or recent transactions.

c) Derivative financial instruments and hedging

The Company enters a variety of derivative financial instruments to manage its exposure arising from financial assets and financial liabilities. Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index. The Company uses derivatives for economic hedging purposes and for the purpose of modifying the risk profile of the Company’s investment portfolio as long as the resulting exposures are within the investment policy guidelines. In some instances, the Company enters into derivatives in order to manage its exposure arising from the purchase price of acquisitions made in foreign currency.

Derivatives are initially measured at fair value at the trade date and subsequently remeasured at fair value at the end of each reporting date. Derivative financial instruments with a positive fair value are recognized as assets and presented in Other assets, while derivative financial instruments with a negative fair value are recognized as liabilities and presented in Financial liabilities related to investments. Changes in fair value are recognized in Net gains (losses) on investment portfolio unless the derivative financial instruments are part of a qualified hedging relationship.

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Derivatives that qualify for hedge accounting

In certain circumstances, these derivatives also meet the requirements for hedge accounting. In which case, a hedging relationship is designated and formally documented at inception by describing the risk management objective and strategy, the hedged item as well as the methodology used to assess hedge effectiveness. Risk management strategies when eligible for hedge accounting have been designated as net investment hedges in a foreign operation, cash flow hedges or fair value hedges.

- **Net investment hedges** – The Company uses foreign currency derivatives to manage its book value exposure to foreign operations with a functional currency other than CAD. Where the Company has elected to apply hedge accounting, the effective portion of gains or losses on hedging derivatives, together with foreign exchange translation gains or losses on foreign operations, is recognized in Foreign currency gains (losses) in OCI.
- **Cash flow hedges** – The Company uses “fixed to fixed” interest rate swaps to hedge changes in the fair value of debt securities. Where the Company has elected to apply hedge accounting, the effective portion of changes in the fair value of the derivatives are recognized in OCI and the ineffective portion is recognized in Net gains (losses) on investment portfolio in Net income.
- **Fair value hedges** – The Company uses “fixed to floating” interest rate swaps to hedge changes in the fair value of debt securities. Where the Company has elected to apply hedge accounting, the gains and losses on hedging instruments are recognized in Net gains (losses) on investment portfolio in Net income and the change in fair value of the hedged item that are attributable to the hedged risk is transferred from AOCI to Net income.

Hedge effectiveness is evaluated at inception and throughout the term of the hedge. For net investment hedges, effectiveness is evaluated by using the dollar offset method based on spot foreign currency rates which is not expected to result in any ineffectiveness.

Hedge accounting is only applied when the Company expects that the hedging relationship will be highly effective in achieving offsetting changes in fair value or changes in cash flows attributable to the risk being hedged.

Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated or sold, or upon the sale or early termination of the hedged item. In the case of a sale or early termination of the hedged item, any balance remaining in AOCI as a result of hedge accounting with this hedged item is reclassified to Net income.

Derivatives not designated for hedge accounting

Certain derivative instruments, while providing effective economic hedges, are not designated as hedging instruments in formal hedge accounting relationships. Changes in the fair value of such derivatives are recognized in Net gains (losses) on investment portfolio in Net income. Refer to **Note 7 – Derivative financial instruments** for details.

d) Derecognition of financial assets and financial liabilities

Financial assets are no longer recognized when the rights to receive cash flows from the instruments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are no longer recognized when they have expired or have been cancelled. Refer to **Table 3.10** for the initial recognition of financial assets and financial liabilities.

Securities purchased under reverse repurchase agreements and sold under repurchase agreements – The Company purchases securities from major Canadian financial institutions with an agreement to resell them to the original seller in the short-term (reverse repurchase agreements), at a set price and date. It also sells securities to major Canadian financial institutions together with an agreement to repurchase them in the short-term (repurchase agreements), at a set price and date.

Securities purchased in the course of reverse repurchase agreements are not recognized on the Consolidated balance sheets because the seller substantially retained the risks and rewards related to the assets sold. The commitment to resell the assets purchased is presented in Financial assets related to investments in Other assets in the Consolidated balance sheets.

Securities sold in the course of repurchase agreements remain on the Consolidated balance sheets because the Company has not substantially transferred the risks and rewards related to the assets sold. The obligation to repurchase the assets sold is presented in Financial liabilities related to investments in the Consolidated balance sheets.

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Structured settlements – The Company enters into annuity agreements with various Canadian life insurance companies to provide for fixed and recurring payments to claimants.

- When the annuity agreements are non-commutable, non-assignable and non-transferable, the Company is released by the claimant for the settlement of the claim amount. As a result, the liability to its claimants is substantially discharged and the Company removes that liability from its Consolidated balance sheets. However, the Company remains exposed to the credit risk that life insurers may fail to fulfill their obligations.
- When the annuity agreements are commutable, assignable, or transferable, the Company keeps the liability and the corresponding asset on its Consolidated balance sheets.

e) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is recognized on the Consolidated balance sheets only when there is:

- A legally enforceable right to offset the recognized amounts; and
- An intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

f) Revenue and expense recognition

Net investment income

- Interest income from loans is recognized on an accrual basis, using the effective interest rate method.
- Dividends are recognized when the shareholders' right to receive payment is established, which is the ex-dividend date.
- Income on debt securities is classified as follows:
 - FVTOCI is recognized in interest income using the effective interest rate method, including the amortization of premiums earned or discounts incurred as well as transaction costs.
 - FVTPL is recognized in interest and similar income on securities designated or classified as FVTPL using a similar methodology except that transaction costs are expensed as incurred.

Net gains (losses) on investment portfolio

- Gains and losses on the sale of FVTOCI debt as well as FVTPL debt and equity securities are generally calculated on a first in, first out basis, except for certain equity strategies on investment portfolio.
- Transaction costs associated with the acquisition of financial instruments classified or designated as FVTPL are expensed as incurred; otherwise, transaction costs are capitalized on initial recognition and amortized using the effective interest method.
- Transaction costs incurred at the time of disposition of a financial instrument are expensed as incurred.

g) Impairment of financial assets other than those classified or designated as FVTPL

The Company assesses, on a forward-looking basis, the ECL associated with its assets carried at amortized cost and FVTOCI debt securities. The impairment methodology applied depends on whether there has been a significant increase in credit risk or an actual default.

Table 3.12 – Staging

Staging	Debt securities
Stage 1 (12 months)	Credit risk of the financial instrument is low (investment grade) or credit risk has not increased significantly since initial recognition (performing).
Stage 2 (Life-time)	Credit risk has increased significantly since inception (underperforming) but the financial instrument is not credit impaired.
Stage 3 (Life-time)	Financial instrument is credit impaired. Refer to Note 9.4 d) – Impairment assessment .

At each reporting date, the Company recognizes an allowance for debt instruments measured at FVTOCI or at amortized cost.

- The ECL does not reduce the carrying amount of FVTOCI financial assets, which remain at their fair value. Instead, an amount equal to the allowance and its subsequent changes is reclassified from OCI to Net income. Refer to **Note 9.4 d) – Impairment assessment** for more details.
- The ECL for financial instruments measured at amortized cost reduces the carrying amount of these financial assets with a corresponding expense recognized in Net income in Net gains (losses) on investment portfolio.

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IFRS 9 provides a simplification where an entity may assume that the criterion for recognizing lifetime ECL is not met if the credit risk on the financial instrument is low ("investment grade") at the reporting date. The Company uses the low credit risk simplification as approximately 94% of the debt securities portfolio (94% as at December 31, 2023) consists of investment-grade financial instruments with a quoted market price.

For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

3.5 Business combinations

Business combinations are accounted for using the acquisition method. The purchase consideration is measured at fair value at acquisition date. At that date, the identifiable assets acquired, and liabilities assumed are estimated at their fair value. Acquisition-related costs are expensed as incurred. When the Company acquires a business, it assesses financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual term, economic circumstances, and relevant conditions at the acquisition date. The excess of the purchase consideration over the fair value of the net identifiable assets acquired and liabilities assumed in a business combination results in Goodwill. When the excess is negative, a bargain gain is recognized in Net income.

3.6 Goodwill and intangible assets

a) Goodwill

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Company's share in the net identifiable assets acquired and liabilities assumed in a business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to CGUs, or groups of CGUs, that are expected to benefit from the business combination in which they arose. Impairment testing is performed at least annually or more frequently if there are objective indicators of impairment, by comparing the recoverable amount of a CGU with its carrying amount. Impairment testing is undertaken at the lowest level at which goodwill is monitored for internal management purposes, which corresponds to the Company's operating segments (refer to **Note 30 – Segment information**).

Upon disposal of a portion of a CGU through a sale of a business as defined within IFRS 3, the carrying amount of goodwill related to the portion of the CGU sold is included in the determination of gains and losses on disposal. The carrying amount is determined based on the relative fair value of the disposed portion to the total CGU.

b) Intangible assets

The Company's intangible assets consist of distribution networks, customer relationships, trade names and internally developed software.

- Distribution networks represent the contractual agreements between the Company and unconsolidated brokers for the distribution of its insurance products. It also includes selling insurance through affinity partnerships, usually to a group of similar customers such as store-card holders, alumni groups, unions and utility company customers.
- Customer relationships represent mainly the relationships that exist with the policyholders, either directly (as a direct insurer) or indirectly (through consolidated brokers).

Intangible assets are initially measured at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. For each distribution network acquired, that assessment depends on the nature of the distribution network. When the related cash flows are expected to continue indefinitely, intangible assets are assessed as having an indefinite useful life.

Intangible assets with finite lives are amortized over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite lives, as well as those intangible assets that are under development, are not subject to amortization, but are tested for impairment on an annual basis at the CGU level.

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The amortization method and terms of intangible assets assessed as having finite useful lives are shown below.

Table 3.13 – Amortization methods and terms of intangible assets – finite useful life

Intangible assets	Method	Term
Distribution networks	Straight-line	6 to 25 years
Customer relationships	Straight-line	3 to 15 years
Trade names	Straight-line	3 to 10 years
Internally developed software	Straight-line	3 to 10 years

Amortization of intangible assets is included in Other income and expense in the Consolidated statements of income.

3.7 Foreign currency translation

The Consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of most foreign subsidiaries is their local currency.

Foreign currency transactions

Transactions denominated in foreign currencies are initially recognized in the functional currency of the related entity using the exchange rates in effect at the date of the transaction.

- Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rates. Any resulting exchange difference is recognized in Net income.
- Non-monetary assets and liabilities denominated in foreign currencies and measured at historical cost are translated using historical exchange rates, and those measured at fair value are translated using the exchange rate in effect at the date the fair value is determined.
- Revenues and expenses are translated using the average exchange rates for the period or the exchange rate at the date of the transaction for significant items.
- Net foreign currency gains and losses are recognized in income except for:
 - FVTOCI equity securities where unrealized foreign currency gains and losses remain in OCI; and
 - Designated hedges where unrealized foreign currency gains and losses are recognized in OCI.

Foreign operations

- Assets and liabilities of foreign operations whose functional currency is other than the Canadian dollar are translated into Canadian dollars using closing exchange rates.
- Revenues and expenses, as well as cash flows, are translated using the average exchange rates for the period.
- Translation gains or losses are recognized in OCI and are reclassified to income on disposal or partial disposal of the investment in the related foreign operation.

The exchange rates used in the preparation of the Consolidated financial statements were as follows:

Table 3.14 – Exchange rates used

	As at		Average rate for the years	
	December 31, 2024	December 31, 2023	2024	2023
USD vs CAD	1.438	1.325	1.370	1.350
GBP vs CAD	1.800	1.689	1.751	1.679
EUR vs CAD	1.489	1.463	1.482	1.460

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3.8 Investments in associates and joint ventures

The Company's investments in associates and joint ventures are mainly composed of investments in brokers which are part of the Company's distribution channels through which it offers its insurance products. These investments are initially recognized at the amount of consideration paid, which includes the fair value of tangible assets, intangible assets and goodwill identified on acquisition, plus post-acquisition changes in the Company's share of their net assets. They are subsequently measured using the equity method.

The Company's profit or loss from such investments is shown in Share of profit from investments in associates and joint ventures and reflects the after-tax share of the results of operations of the associates and joint ventures. The Company determines at each reporting date whether there is any objective evidence that investments in associates and joint ventures are impaired.

3.9 Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation terms are established to depreciate the cost of the assets over their estimated useful lives. Depreciation methods and terms are shown below.

Table 3.15 – Depreciation methods and terms of property and equipment

Property and equipment	Method	Term
Buildings	Straight-line	15 to 40 years
Furniture and equipment	Straight-line	2 to 10 years
Leasehold improvements	Straight-line	Over the terms of related leases or 10 years

3.10 Investment property and rental income

Investment property includes land and buildings mainly located in the UK which are held to earn rental income and are externally managed and not owner-occupied.

Investment property is initially measured at cost, including transaction costs, and is subsequently measured at fair value based on revised estimates, with changes in fair value recognized in Net gains (losses) on investment portfolio in Net income. Rental income from the related operating leases is recognized as Net investment income in Net income on a straight-line basis over the length of the lease.

3.11 Leases

On the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate for a similar asset. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentive receivable, and exclude operational costs and variable lease payments. The lease liability is subsequently measured at amortized cost using the effective interest method.

The Company presents right-of-use assets in Property and equipment and lease liabilities in Other liabilities in the Consolidated balance sheets. The depreciation expense is presented in Insurance service expense or Other income and expense, and the interest expense is presented in Other finance costs in the Consolidated statements of income.

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3.12 Income taxes

a) Income tax expense (benefit)

Income tax is recognized in Net income, except to the extent that it relates to items recognized in OCI, or directly in equity where it is recognized in OCI or equity. Income tax expense (benefit) comprises current and deferred tax.

- **Current income tax** is based on current year's results of operations, adjusted for items that are not taxable or not deductible. Current income tax is calculated based on income tax laws and rates enacted or substantively enacted as at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and provisions are established where appropriate based on amounts expected to be paid to the tax authorities.
- **Deferred income tax** is provided using the liability method on temporary differences between the carrying amount of assets and liabilities and their respective tax values. Deferred tax is calculated using income tax laws and rates enacted or substantively enacted as at the balance sheet date, which are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred tax assets are recognized for all deductible temporary differences as well as unused tax losses and tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. For each entity for which there is a history of tax losses, deferred tax assets are only recognized in excess of deferred tax liabilities if there is convincing evidence that future profit will be available.

Deferred tax in respect of the unremitted earnings of subsidiaries, associates and joint ventures is recognized as an expense in the year in which the profits arise, except where the remittance of earnings can be controlled and it is probable that remittance will not take place in the foreseeable future.

b) Recognition and offsetting of current tax assets and liabilities

For each legal entity consolidated, current tax assets and liabilities are offset when they relate to the same taxation authority, which allows the legal entity to receive or make one single net payment, and when it intends to settle the outstanding balances on a net basis. Upon consolidation, a current tax asset of one entity is offset against a current tax liability of another entity if, and only if, entities concerned have a legally enforceable right to make or receive a single net payment and entities intend to make or receive such net payment or to recover the asset or settle the liability simultaneously.

3.13 Share-based payment plans

The Company has four types of share-based payment plans:

a) Long Term incentive plan

Certain key employees are eligible to participate in the LTIP. Participants are awarded notional share units referred to as PSUs and RSUs. The PSU payout is subject to the achievement of specific targets with regards to:

- The Company's estimated ROE outperformance versus the global P&C industry benchmark based on a three-year average of Canada, US and the UK weighted on the Company's deployed capital in each country;
- The three-year average combined ratio of the US, UK or Global Specialty Line operations compared to a specific target; or
- A combination of both.

Most RSUs automatically vest three years from the year of the grant. Vesting of RSUs is not linked to the Company's performance.

PSUs and RSUs – Subject to the Company's Board of Directors' approval, certain participants can receive cash in lieu of shares of the Company:

- Based on the plan structure; and
- If they meet a defined share ownership threshold ("eligible participants") and elect to receive cash.

At the time of the payout, the plan administrator purchases in the market the number of common shares based upon the vested PSUs and RSUs, and elections of eligible participants.

The awards are estimated and valued at fair value at grant date, which corresponds to the average share price of the Company over the last quarter of the preceding year.

The LTIP is accounted for as an equity-settled plan, except for the participants that are eligible to receive cash in lieu of shares of the Company (accounted for as a cash-settled plan).

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Equity-settled plan

The cost of the awards is recognized as an expense over the vesting period, with a corresponding entry to Contributed surplus. The value of each award is not revalued subsequently, but the Company re-estimates the number of awards that are expected to vest at each reporting period. The difference between the market price of the shares purchased and the cumulative cost for the Company of these vested units, net of income taxes, is recognized in Retained earnings.

Cash-settled plan

The cost of the awards is recognized as an expense over the vesting period, with a corresponding entry to Other liabilities. The liability is remeasured at each reporting period based on the number of awards that are expected to vest and the current share price, with any fluctuations in the liability also recognized as an expense until it is settled.

b) Employee share purchase plan

Employees who are not eligible for the LTIP are entitled to make contributions to a voluntary ESPP. Eligible employees can contribute up to 10% of their annual base salary through a payroll deduction to purchase the Company's common shares in the market. As an incentive to participate in the plan, the Company matches, at the end of each year, a number of shares equal to 50% of the common shares purchased by the employees during the year (subject to certain conditions). During the following year, the common shares contributed by the Company are purchased by an independent broker at each pay period and deposited in the employee account evenly each pay. The common shares contributed by the Company are awarded and vested at the time they are deposited in the employee account.

Equity-settled plan

The fair value of awards is estimated at the grant date and is not revalued subsequently, but the Company re-estimates the number of awards that are expected to vest at each reporting period. The cost of awards is recognized as an expense over the vesting period, with a corresponding entry to Contributed surplus. The difference between the market price of the common shares purchased and the cumulative cost for the Company of these vested awards, net of income taxes, is recognized in Retained earnings.

c) Deferred share unit plan

Non-employee directors of the Company are eligible to participate in the Company's DSU plan. A portion of the remuneration of non-employee directors of the Company must be received in DSUs or common shares of the Company. For the remainder of their compensation, the directors are given the choice of cash, common shares of the Company, DSUs or a combination of the three. Both DSUs and common shares vest at the time of the grant. The DSUs are redeemed upon director retirement or termination and are settled for cash afterwards. When directors elect to receive shares, the Company makes instalments to the plan administrator for the purchase of shares of the Company on behalf of the directors.

Cash-settled plan

The DSUs are cash-settled awards which are expensed at the time of granting with a corresponding financial liability recognized in Other liabilities. This liability is remeasured at each reporting date based on the current share price, with any fluctuations in the liability also recognized as an expense until it is settled.

d) Executive stock option plan

The Company maintains an ESOP for certain key executive employees of the Company. Under the ESOP, the Human Resources and Compensation Committee may, at its discretion, from time-to-time grant options and SARs and also determines the terms and conditions of grants.

The options entitle participants to purchase common shares of the Company at an exercise price that is normally equal to the volume weighted average trading price per common share on the TSX for a period of a few days preceding the grant date. The options granted generally vest over three to seven years upon achievement of performance objectives and are exercisable within a ten-year period, except in the event of termination of employment or death.

The number of options expected to vest are estimated on the grant date and will be subsequently revised on each reporting date.

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Equity-settled plan

The fair value of the options, adjusted for expectations related to performance conditions and forfeitures, is accounted for as an equity-settled plan and is recognized as an expense over the vesting period with a corresponding credit to Contributed surplus. When the options are exercised, any consideration paid is credited to Common shares and the recognized fair value of the options is removed from Contributed surplus and credited to Common shares.

3.14 Employee future benefits – pension

The actuarial determination of the DB obligation uses the projected unit credit method and management's best estimate assumptions.

DB pension expense

Cost recognized in Net income in the current period includes:

- Service cost: benefits cost provided in exchange for employees' services rendered during the year (current service cost) or prior years (past service cost);
- Net interest expense: change in the DB obligation and the plan assets resulting from the passage of time; and
- Administrative expenses paid from the pension assets.

The discount rate methodology used to determine the DB expense is determined with reference to the yields on high quality corporate bonds.

Remeasurement of net DB asset (liability)

The rate used to discount the DB obligation is determined by reference to market yields on high quality corporate bonds with cash flows that match the timing and amount of expected benefit payments, determined at the end of each reporting period.

Remeasurements are recognized directly in OCI in the period in which they occur and include:

- Return on plan assets, which represents the difference between the actual return on plan assets and the return based on the discount rate determined using high quality corporate bonds;
- Actuarial gains and losses arising from plan experience; and
- Changes in actuarial assumptions, such as the discount rate used to discount the DB obligation.

Such remeasurements are also immediately reclassified to Retained earnings as they will not be reclassified to Net income in subsequent periods.

3.15 Current vs non-current

In line with industry practice for insurance companies, the Company's balance sheets are not presented using current and non-current classifications but are rather presented broadly in order of liquidity. Most of the Company's assets and liabilities are considered current given they are expected to be realized or settled within the Company's normal operating cycle. All other assets and liabilities are considered as non-current and generally include: Investments in associates and joint ventures, Deferred tax assets, Property and equipment, Intangible assets, Goodwill, Deferred tax liabilities and Debt outstanding.

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Note 4 – Material accounting judgments, estimates and assumptions

4.1 Use of judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to use judgments, estimates and assumptions that can have a significant impact on the recognized amounts of assets and liabilities, disclosure of contingent assets and liabilities as at the balance sheet date, as well as recognized amounts of revenues and expenses during the reporting period. Actual results could differ significantly from these estimates.

The key estimates and assumptions that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities are as follows:

Description	Reference	Description	Reference
Business combinations and disposals	<i>Note 5.3</i>	Impairment of financial assets	<i>Note 22.1</i>
Insurance and reinsurance contracts	<i>Note 10.4</i>	Measurement of income taxes	<i>Note 26.6</i>
Impairment of goodwill and intangible assets	<i>Note 13.2</i>	Valuation of DB obligation	<i>Note 29.8</i>

4.2 Geopolitical risk

The current geopolitical environment increases uncertainty in financial markets with a possible resurgence of trade tariffs and inflation, including upward pressure on oil prices and the potential for global supply-chain disruptions. With the recent changes in the U.S. Government, the threat of protectionism increases the risk of tariffs, stagflation, turbulence in the financial markets, and a weakening of the Canadian Dollar against other currencies. Supply-chain inflation is likely to increase which would reduce insurance service results. Recessionary conditions could also lead to lower overall demand for insurance products negatively impacting insurance revenue.

Management will continue to monitor the impact of geopolitical risk on its use of judgements, estimates, and assumptions.

Note 5 – Business combinations and disposals

5.1 Business combinations

a) Business acquisitions completed in 2023

The Company completed the following acquisition during the year ended December 31, 2023:

Direct Line Insurance Group plc's brokered commercial lines operations

On September 6, 2023, the Company entered into an agreement to acquire the brokered commercial lines operations of Direct Line Insurance Group plc ("DLG"), a P&C company with leading market positions in the UK ("the DLG acquisition").

The purchase price included an initial cash consideration of £520 million (\$869 million) paid on October 26, 2023, with potential for up to a further £30 million (\$50 million) contingent payment under earnout provisions relating to the financial performance of the acquired business lines.

The acquisition was structured through several agreements as described below:

- **Business combination** – The business transfer agreement related to new business franchise and certain operations, renewal rights, data, brands, employees, contractors, third party contracts, and premises and the operational transfer was completed on May 1, 2024. The business transfer agreement resulted in a business combination as the Company controlled these net assets from the closing date of October 26, 2023, as a result, the acquired net assets were consolidated from that date.
- **Quota share reinsurance agreement** – The reinsurance agreement related to premiums written but not yet earned starting from October 1, 2023. As a result, substantially all of the future economics of the business were transferred to the Company before the transfer of policy renewals, which started in June 2024, and before new business was written directly by the Company, which started in July 2024. The reinsurance agreement was recognized in direct insurance results since the fourth quarter of 2023. In addition, if approved by the High Court of Justice in England and Wales, these policies will be legally transferred to the Company.

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- **Administration and transitional services arrangements** – The Company entered into certain arrangements to ensure the servicing of policies during the transition.

As part of the acquisition, DLG will retain claims incurred related to premiums earned pre-October 1, 2023. As a result, the Company is not exposed to any development on prior-year claims related to premiums earned pre-October 1, 2023.

The purchase price allocation was finalised in 2024 and there were no adjustments to the preliminary fair values. The following table summarizes the consideration and the final determination of the fair value of identifiable assets acquired and liabilities assumed at the acquisition date.

Table 5.1 – The DLG acquisition

As at the acquisition date (October 26, 2023)	GBP	CAD
Purchase price		
Cash consideration	520	869
Contingent consideration ¹	3	5
Total purchase price	523	874
Fair value of the identifiable assets acquired and liabilities assumed		
Assets		
Intangible assets	229	383
Other	2	3
Liabilities		
Deferred tax liabilities	(32)	(53)
Other	(2)	(3)
Total identifiable net assets acquired	197	330
Goodwill	326	544
Exchange rate (GBP/CAD)		1.67080

¹ Recorded at fair value based on estimates of future profitability metrics, discounted using information as of the measurement date and classified in Level 3 of the fair value hierarchy. As at December 31, 2024, the contingent consideration was reassessed to nil.

The intangible assets recognized on acquisition were mainly related to distribution networks, amortized over a 15-year period, and trade names, amortized over an 8-year period.

The fair value of the acquired distribution networks was determined using discounted cash flows with the key estimates and assumptions as follows:

- Cash flow projections included estimated growth rates and profitability, broker attrition rates, synergies and contributory asset charges such as capital required to operate.
- Discount rate was based on the weighted-average cost of capital for comparable companies with similar activities.

Trade names were determined using the relief-from royalty method, an income approach using a projection of growth to which a royalty rate is applied. The key estimates and assumptions are the growth rate, the useful life, the royalty rate and the discount rate.

Goodwill reflects new business growth, tax synergies and the quality of the acquired businesses. Goodwill is not deductible for tax purposes.

For the year ended December 31, 2024, the Company recognized integration costs of \$60 million in Acquisition, integration and restructuring costs (acquisition costs of \$24 million and integration costs of \$9 million - December 31, 2023), related to the DLG acquisition.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

5.2 Disposals

a) Disposals completed in 2024

The Company completed the following disposals during the year ended December 31, 2024:

UK Personal Lines

In 2023, the Company exited the UK Personal Lines market (motor, Home and Pet), including the announcement of both the sale of its direct Home and Pet operations to Admiral Group plc ("Admiral") and its decision to transfer the Home and Pet partnerships to other parties or to let them expire over time.

The sale to Admiral closed on March 31, 2024, for an initial cash consideration of £85 million (\$145 million), received on April 2, 2024, with a potential for up to a further £33 million (\$56 million) subject to the fulfilment of certain retention thresholds. The sale included the transfer of new business franchise, certain operations, data, renewal rights, brands, and employees on March 31, 2024. The transfer of new business and policy renewals started in July 2024. The Company will retain claims related to business it has written. The sale resulted in a gain of \$138 million which was recognized in Other net gains (losses) in the year ended December 31, 2024, and considers a contingent consideration of nil as at December 31, 2024.

For the year ended December 31, 2024, the Company recorded restructuring costs of \$129 million in Acquisition, integration and restructuring costs (\$147 million – December 31, 2023), related to the exit of the UK Personal Lines market.

5.3 Material accounting judgments, estimates and assumptions

Upon initial recognition, the acquiree's assets and liabilities and the contingent consideration (if any) have been included in the Consolidated balance sheets at fair value. Management determined the fair values using estimates of future cash flows and discount rates. However, actual results can be different from those estimates. During the measurement period following the acquisition, the changes in the estimates that relate to new information obtained about facts and circumstances that existed as of the acquisition date, would have an impact on the amount of goodwill or gain on bargain purchase recognized. Any other changes in the estimates would be recognized in income.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 6 – Investments

6.1 Classification of investments

Table 6.1 – Classification of investments

As at	FVTOCI		FVTPL		Amortized cost ¹	Total carrying amount
	Classified as FVTOCI ¹	Designated as FVTOCI	Classified as FVTPL	Designated as FVTPL	Carrying amount	
December 31, 2024						
Cash and cash equivalents	-	-	-	-	1,145	1,145
Short-term notes	939	-	-	350	-	1,289
Fixed income						
Government	4,141	-	-	6,068	-	10,209
Corporate	8,652	-	-	3,778	-	12,430
ABS and MBS ²	3,155	-	223	763	-	4,141
Private funds (Non-rated)	-	-	1,702	-	-	1,702
Debt securities	16,887	-	1,925	10,959	-	29,771
Preferred shares	-	1,117	543	-	-	1,660
Common shares	-	-	6,350	-	-	6,350
Investment property	-	-	571	-	-	571
Loans	-	-	-	-	785	785
	16,887	1,117	9,389	10,959	1,930	40,282
December 31, 2023						
Cash and cash equivalents	-	-	-	-	1,171	1,171
Short-term notes	1,365	-	-	223	-	1,588
Fixed income						
Government	3,760	-	-	6,448	-	10,208
Corporate	7,959	-	-	3,226	-	11,185
ABS and MBS ²	2,925	-	183	780	-	3,888
Private funds (Non-rated)	-	-	1,567	-	-	1,567
Debt securities	16,009	-	1,750	10,677	-	28,436
Preferred shares	-	992	392	-	-	1,384
Common shares	-	-	4,668	-	-	4,668
Investment property	-	-	480	-	-	480
Loans	-	-	-	-	944	944
	16,009	992	7,290	10,677	2,115	37,083

¹ As at December 31, 2024 these investments were classified as stage 1 and the allowance for ECL on securities at amortized cost and classified as FVTOCI were \$1 million and \$11 million, respectively (\$2 million and \$11 million, respectively, as at December 31, 2023).

² Includes publicly traded MBS, which carry the full faith and credit guarantee of the US Government or are guaranteed by a government sponsored entity, and ABS such as credit card receivables or auto loans.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

6.2 Carrying amount of investments

Table 6.2 – Carrying amount of investments

As at	FVTPL investments	Other investments				Total investments
	Carrying amount	Amortized cost	Unrealized gains ¹	Unrealized losses ¹	Carrying amount	Carrying amount
December 31, 2024						
Cash and cash equivalents	-	1,145	-	-	1,145	1,145
Debt securities	12,884	17,294	136	(543)	16,887	29,771
Preferred shares	543	1,099	80	(62)	1,117	1,660
Common shares	6,350	-	-	-	-	6,350
Investment property	571	-	-	-	-	571
Loans	-	785	-	-	785	785
	20,348	20,323	216	(605)	19,934	40,282
December 31, 2023						
Cash and cash equivalents	-	1,171	-	-	1,171	1,171
Debt securities	12,427	16,513	124	(628)	16,009	28,436
Preferred shares	392	1,141	9	(158)	992	1,384
Common shares	4,668	-	-	-	-	4,668
Investment property	480	-	-	-	-	480
Loans	-	944	-	-	944	944
	17,967	19,769	133	(786)	19,116	37,083

¹ Amounts in foreign currency are translated using the period-end exchange rate.

6.3 Collateral

The following table summarizes the investment related collateral:

Table 6.3 – Collateral

As at December 31,	2024	2023
Collateral pledged	1,488	649
Collateral accepted	2,405	2,754

The Company has pledged financial assets as collateral for liabilities or contingent liabilities, mainly consisting of debt and cash and cash equivalents. The terms and conditions of the collateral pledged are market standard in relation to letter of credit facilities, derivative transactions and repurchase agreements.

The Company has accepted collateral mainly consisting of government securities. The terms and conditions of the collateral accepted are market standard in relation to securities loaned, derivative transactions and reverse repurchase agreements. The collateral cannot be sold or re-pledged externally by the Company unless the counterparty defaults on its financial obligations. The obligation to repay the cash is recognized in Other liabilities and the corresponding receivable is recognized in Other assets. Collateral accepted is mainly related to securities loaned which as at December 31, 2024 had a fair value of \$2,017 million (\$2,631 million as at December 31, 2023). The related collateral accepted represents approximately 105% of the fair value of the securities loaned as at December 31, 2024 (105% as at as at December 31, 2023).

6.4 Market neutral equity investment strategy

Table 6.4 – Market neutral equity investment strategy

As at December 31,	2024		2023	
	Fair value	Collateral	Fair value	Collateral
Long positions – reported in Common shares	612	-	9	-
Short positions – reported in Financial liabilities related to investments (<i>Table 16.4</i>)	(614)	623	(9)	10

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 7 – Derivative financial instruments

7.1 Types of derivatives used

The Company generally uses derivatives for economic hedging purposes and to improve the risk profile of its investment portfolio, as long as the resulting exposures remain within the guidelines of its investment policy. In certain circumstances, these derivatives also meet the requirements for hedge accounting. Risk management strategies eligible for hedge accounting have been designated as net investment hedges in foreign operations, cash flow hedges and fair value hedges. The following table summarizes the types of derivatives used by the Company.

Table 7.1 – Types of derivatives used

Derivatives	Description	Objective	Designation
Forwards	Contractual obligations to exchange:		
Currency	One currency for another at a predetermined future date	Mitigate risk arising from foreign currency fluctuations on: - Foreign currency cash inflows and outflows impacting the Company's operations; - The Company's net investment in foreign operations; and - Foreign currency cash flows related to the purchase price and the Company's net investment in foreign operations.	Not designated Net investment hedge Cash flow hedge if the transaction meets the requirements of "highly probable"
Futures	Contractual obligations to buy or sell:		
Interest rate	An interest rate sensitive financial instrument at a specified price and a predetermined future date	Modify or mitigate exposure to interest rate fluctuations	Not designated
Equity	A specified number of stocks, a basket of stocks or an equity index at an agreed price and a specified date	Mitigate exposure to equity market	Not designated
Swaps	Over-the-counter contracts:		
Cross currency interest rate	In which two counterparties exchange a stream of future interest payment for another, based on a specified principal amount and in two different currencies	Modify or mitigate exposure to interest rate and foreign currency fluctuations	Cash flow hedge and Fair value hedge
Interest rate	In which two counterparties exchange a stream of future interest payment for another, based on a specified principal amount	Modify or mitigate exposure to interest rate fluctuations	Fair value hedge
Equity	In which two counterparties exchange a series of cash flows based on a basket of stocks, applied to a notional amount	Mitigate exposure to equity market fluctuations	Not designated
Credit default	That transfer credit risk related to an underlying financial instrument from one counterparty to another	Modify exposure to credit risk	Not designated
Inflation	That transfer inflation risk from one party to another	Modify exposure to inflation risk	Not designated

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

7.2 Fair value and notional amount of derivatives

The following table presents the notional amount by remaining term to maturity and fair value of the derivatives held by the Company based on their designation in qualifying hedge accounting relationships.

Table 7.2 – Fair value and notional amount of derivatives

As at December 31, 2024			Term to maturity (notional amount)				Fair value	
Type of hedge	Risk hedged	Instrument type	Less than 1 year	From 1 to 5 years	Over 5 years	Total	Asset	Liability
Designated for hedge accounting								
Net investment hedges	Currency risk	Currency forwards	6,112	-	-	6,112	6	204
			6,112	-	-	6,112	6	204
Not designated for hedge accounting								
		Currency forwards	1,205	-	-	1,205	2	29
		Cross currency interest rate swaps	2	-	-	2	-	-
		Interest rate futures	331	-	-	331	-	-
		Equity futures	3	-	-	3	-	-
		Equity swaps	1,587	-	-	1,587	51	-
		Inflation swaps	-	-	216	216	52	18
			3,128	-	216	3,344	105	47
			9,240	-	216	9,456	111	251
As at December 31, 2023								
Type of hedge	Risk hedged	Instrument type	Less than 1 year	From 1 to 5 years	Over 5 years	Total	Asset	Liability
Designated for hedge accounting								
Net investment hedges	Currency risk	Currency forwards	4,992	-	-	4,992	62	2
Cash flow hedges	Currency risk and interest risk	Cross currency interest rate swaps	5	42	27	74	-	9
Fair value hedges	Currency risk and interest risk	Cross currency interest rate swaps	-	5	-	5	-	-
Fair value hedges	Interest risk	Interest rate swaps	-	-	92	92	29	-
			4,997	47	119	5,163	91	11
Not designated for hedge accounting								
		Currency forwards	1,343	-	-	1,343	39	7
		Interest rate futures	357	-	-	357	-	-
		Equity futures	843	-	-	843	-	-
		Equity swaps	1,586	-	-	1,586	8	52
		Inflation swaps	-	-	203	203	56	21
			4,129	-	203	4,332	103	80
			9,126	47	322	9,495	194	91

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

7.3 Currency hedging in relation with the DLG acquisition in 2023

Purchase price hedges

In September 2023, in connection with the DLG acquisition, the Company entered into foreign currency forward contracts to hedge the £520 million (\$869 million) purchase price to exposures from fluctuations in the CAD/GBP currency pair. These derivatives have a notional amount of £500 million (\$835 million) of which £265 million (\$443 million) were contingent on the closing of the acquisition.

These derivatives, while providing effective economic hedges, did not qualify as cash flow hedges because the transaction was not highly probable, as it was not yet approved by DLG's shareholders. As a result, the changes in the fair value were recognized in Other net gains (losses) in Net income. The Company recognized a loss of \$20 million for the year ended December 31, 2023, related to these derivatives. Refer to **Note 23 – Other net gains (losses) and other income and expense** for more details.

These derivatives were settled upon closing of the acquisition.

Net investment hedges

In September 2023, the Company also entered into a foreign currency forward contract for a notional amount of £235 million (\$393 million) to hedge the currency risk related to the initial carrying value of the business to be acquired. The change in the fair value of this derivative was recognized through Other net gains (losses) in Net income until closing of the transaction as the Company did not have any book value exposure to the business until the acquisition closed. The Company recognized a gain of \$6 million for the year ended December 31, 2023 related to this derivative. Refer to **Note 23 – Other net gains (losses) and other income and expense** for more details.

After the closing of the acquisition, this derivative was designated as a hedge of net investments in foreign operations, with changes in fair value recognized in OCI.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 8 – Fair value measurement

8.1 Categorization of fair value

Table 8.1 – Fair value hierarchy of financial assets, investment property and financial liabilities measured at fair value

As at	Level 1	Level 2	Level 3	Total
	Valued using quoted (unadjusted) market prices	Valued using models with observable inputs	Valued using models without observable inputs	
December 31, 2024				
Short-term notes	1,289	-	-	1,289
Fixed income				
Government	3,578	6,631	-	10,209
Corporate	-	12,430	-	12,430
ABS and MBS	-	4,141	-	4,141
Private funds (Non-rated)	-	-	1,702	1,702
Debt securities	4,867	23,202	1,702	29,771
Preferred shares	1,660	-	-	1,660
Common shares	6,251	-	99	6,350
Investment property	-	-	571	571
Derivative financial assets (Table 16.2)	-	111	-	111
Financial assets and investment property measured at fair value	12,778	23,313	2,372	38,463
Financial liabilities measured at fair value (Table 16.4)	614	251	-	865
December 31, 2023				
Short-term notes	1,582	6	-	1,588
Fixed income				
Government	4,749	5,459	-	10,208
Corporate	-	11,185	-	11,185
ABS and MBS	-	3,888	-	3,888
Private funds (Non-rated)	-	-	1,567	1,567
Debt securities	6,331	20,538	1,567	28,436
Preferred shares	1,384	-	-	1,384
Common shares	4,539	-	129	4,668
Investment property	-	-	480	480
Derivative financial assets (Table 16.2)	-	194	-	194
Financial assets and investment property measured at fair value	12,254	20,732	2,176	35,162
Financial liabilities measured at fair value (Table 16.4)	9	91	-	100

The fair value of loans was \$759 million as at December 31, 2024 (\$904 million as at December 31, 2023). The carrying amount of certain short-term financial instruments not measured at fair value is a reasonable approximation of their fair value.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

8.2 Reconciliation of fair value measurement of Level 3 financial assets and investment property

Table 8.2 – Reconciliation of fair value measurement of Level 3 financial assets and investment property

Years ended	Classified as FVTPL			Total
	Debt securities	Common shares	Investment property	
December 31, 2024				
Balance, beginning of the year	1,567	129	480	2,176
Total gains (losses) recognized in Net income	45	(1)	5	49
Purchases	224	-	59	283
Disposals	(205)	(37)	(7)	(249)
Exchange rate differences	37	8	34	79
Transfer from Level 2	34	-	-	34
Balance, end of year	1,702	99	571	2,372
December 31, 2023				
Balance, beginning of the year	1,506	165	476	2,147
Total gains (losses) recognized in Net income	10	(16)	(14)	(20)
Purchases	265	-	20	285
Disposals	(188)	(26)	(15)	(229)
Exchange rate differences	(17)	6	13	2
Transfer to Level 2	(9)	-	-	(9)
Balance, end of year	1,567	129	480	2,176

Note 9 – Financial risk

The Company has a comprehensive risk management framework and internal control procedures designed to manage and monitor various risks to protect the Company's business, clients, shareholders and employees. The risk management programs aim to manage risks that could materially impair the Company's financial position, accept risks that contribute to sustainable earnings and growth and disclose these risks in a full and complete manner.

Effective risk management consists of identifying, assessing, responding, monitoring, and reporting on all material risks that the Company is exposed to in the course of its operations. To make sound business decisions, both strategically and operationally, management must have continual direct access to the most timely and accurate information possible. Either directly or through its committees, the Board of Directors ensures that the Company's management has put appropriate risk management programs in place. The Board of Directors, directly and through its Risk Management Committee, oversees the Company's risk management programs, procedures and controls and, in this regard, receives periodic reports from, among others, the Risk Management Department through the Chief Risk Officer and internal auditors.

The current geopolitical environment increases uncertainty in financial markets. Refer to **Note 4.2 – Geopolitical risk** for more details.

Table 9.1 – Financial risk

	Market risk	Basis risk	Credit risk	Liquidity risk
Risk definition	Risk that the fair value or future cash flows of a financial instrument or investment property will fluctuate because of changes in equity market prices, interest rates or credit spreads, foreign exchange rates, property prices or commodity market.	Risk that offsetting investments in an economic hedging strategy will not experience price changes that entirely offset each other.	Risk that counterparties may not be able to meet payment obligations when they become due.	Risk that the Company will encounter difficulty in raising funds to meet obligations associated with financial liabilities.
Reference	Notes 9.1 and 9.2	Note 9.3	Note 9.4	Note 9.5

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

9.1 Market risk

Table 9.2 – Market risk

	Equity price risk	Interest rate and credit spread risk	Currency risk	Property price risk
Risk definition	Risk of losses arising from changes in equity market prices.	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates or credit spreads.	Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	Risk of losses arising from changes in property prices.
Risk exposure	Significant exposure to price changes for common shares and preferred shares, including pension plan equities.	Significant exposure to changes in interest rates from: • Debt securities and preferred shares; • DB pension plan obligations, net of related debt securities; and • Insurance and reinsurance contracts.	A portion of the Company's net investment in foreign operations. Investments supporting the Company's Canadian operations denominated in foreign currencies. A portion of foreign currency inflows and outflows impacting the Company's operations.	Exposure to price changes for property.
Risk management	Set forth limits in terms of equity exposure through investment policies. Through geographic and economic sector diversification and, in some cases, the use of derivatives.	Set forth limits in terms of interest rate and credit spread duration through investment policies. Using interest-rate derivatives. Changes in the discount rate applied to the Company's insurance and reinsurance contracts offers a partial offset to the change in price of interest sensitive assets.	Set forth limits in terms of currency exposure through investment policies. Using foreign currency derivatives.	Set forth limits in terms of direct property exposure through investment policies. Used to back the Company's long-tailed liability for incurred claims.

The Operational Investment Committee and Governance and Sustainability Committee regularly monitor and review compliance, respectively, with the Company's investment policies.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

a) Sensitivity analysis to market risk

Sensitivity analysis is a risk management technique that assists management in ensuring that risks assumed remain within the Company's risk tolerance level. Sensitivity analysis involves varying a single factor to assess the impact that this would have on the Company's results and financial condition, excluding any management action. Actual results can differ materially from these estimates for a variety of reasons and therefore, these sensitivities should be considered as directional estimates.

Table 9.3 – Sensitivity analysis (after tax)

Years ended December 31,	2024		2023	
	Net income	OCI	Net income	OCI
Equity price risk				
Common share prices (10% decrease) ¹	(284)	(69)	(158)	(66)
Preferred share prices (5% decrease)	(20)	(41)	(14)	(36)
Property price risk (10% decrease)	(43)	-	(35)	-
Interest rate risk (100 bps increase)²				
Debt securities ^{3,4}	(328)	(419)	(301)	(424)
Net liability for incurred claims before net payables and claims reported under the GMM ⁵	380	-	350	-
DB pension plan obligation, net of related debt securities and annuity buy-in insurance	-	70	-	84
Currency risk⁶				
Strengthening of CAD by 10% vs all currencies				
Net assets of foreign operations in:				
USD	(12)	(281)	(5)	(234)
GBP	7	(233)	3	(286)

¹ Includes the impact of common shares (net of any equity hedges).

² Excludes the impact of credit spreads.

³ Excludes the impact of debt securities related to the DB pension plan.

⁴ Interest rate sensitivity is based on the debt securities portfolio, which comprises approximately 42% of government-related securities and 58% of corporate-related securities.

⁵ Includes the impact of a +0.5% change in the discount rate of net periodic payment orders.

⁶ After giving effect to currency forwards.

The sensitivity analysis was prepared using the following assumptions:

- Shifts in the yield curve are parallel;
- Interest rates, equity prices, property prices and foreign currency move independently;
- Credit, liquidity, spread and basis risks have not been considered; and
- Impact on the Company's pension plans has been considered.

FVTOCI debt securities in an unrealized loss position, as reflected in AOCI, may be realized through sales in the future.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

b) Exposure to currency risk

Table 9.4 – Net foreign currency and translation exposure

As at December 31, All amounts in CAD	2024			2023		
	USD	GBP	EUR	USD	GBP	EUR
Investments supporting Canadian operations	4,147	-	-	3,694	-	-
Foreign-currency derivatives, notional amount ¹	(4,130)	-	-	(3,655)	-	-
	17	-	-	39	-	-
Consolidated net assets of foreign operations	3,075	4,519	527	2,556	4,267	515
Foreign-currency derivatives, notional amount ¹	-	(1,959)	(253)	-	(1,403)	(249)
	3,075	2,560	274	2,556	2,864	266
Other net assets in foreign currency	178	(94)	-	54	(38)	-
Total net currency exposure	3,270	2,466	274	2,649	2,826	266

¹ The average contractual rate of currency forwards designated in hedging relationships as net investment hedges were 1.3598 for USD/CAD contracts and 1.7782 for GBP/CAD contracts as at December 31, 2024 (1.3639 and 1.6890 respectively, as at December 31, 2023).

9.2 Interest risk

The following table presents the fair value and respective duration of the Company's assets and liabilities measured at fair value, as well as financial instruments that are sensitive to movements in interest rates.

Table 9.5 – Interest risk

As at December 31,	2024		2023	
	Fair value	Duration (in years)	Fair value	Duration (in years)
Investments:				
Debt securities	29,771	3.2	28,436	3.5
Preferred shares	1,660	3.9	1,384	3.6
Net liability for incurred claims before net payables and claims reported under the GMM	22,994	2.2	21,641	2.1

The Company manages the interest rate risk exposure of its investment portfolio in accordance with its investment policies. Compliance with interest rate risk exposure ranges and targets established in these policies is monitored regularly.

As a result of the transition to Alternative Reference Rates ("ARRs") as part of the Interbank Offered Rate ("IBOR") reform, certain benchmark rates were discontinued. The transition resulted in changes in methodology and may have caused increased financial, operational, legal and regulatory risks. In order to manage those risks, the Company established an enterprise-wide IBOR Transition Working Group, supported by senior management, to coordinate the transition from IBORs to ARR, and to monitor the development and adoption of ARR across the industry. The Company finalized its transition in 2024 when its exposure to the transition ended.

As at December 31, 2023, the Company had no significant exposure to IBORs that had yet to transition to ARR.

9.3 Basis risk

The use of derivatives exposes the Company to several risks, including credit and market risks. The hedging of certain risks with derivatives results in basis risk. The imperfect correlation between the hedging instrument and hedged item creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position. The Company monitors the effectiveness of its economic hedges on a regular basis. Basis risk is controlled by limits prescribed in the investment policy, which are monitored regularly.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

9.4 Credit risk

The Company's credit risk exposure is concentrated primarily in its debt securities and preferred shares and, to a lesser extent, its reinsurance contracts assets and its structured settlement agreements entered with various life insurance companies. The Company is also subject to counterparty credit risk arising from over-the-counter derivatives, repurchase agreements, and securities lending and borrowing transactions. A counterparty is any person or entity from which cash or other forms of consideration are expected to extinguish a liability or obligation to the Company. These exposures and the Company's risk management policy and practices used to mitigate credit risk are explained below.

a) Credit exposure

The table below presents the Company's maximum exposure to credit risk without considering any collateral held or other credit enhancements available to the Company to mitigate this risk. For on-balance sheet exposures, maximum exposure to credit risk is defined as the carrying amount of the asset.

Table 9.6 – Maximum exposure to credit risk

As at December 31,	2024	2023
Cash and cash equivalents	1,145	1,171
Debt securities	29,771	28,436
Preferred shares	1,660	1,384
Loans	785	944
Reinsurance contract assets	4,788	5,217
Other financial assets ¹	1,617	1,340
On-balance sheet credit risk exposure	39,766	38,492
Structured settlements	1,571	1,488
Off-balance sheet credit risk exposure	1,571	1,488

¹ Mainly includes other receivables and recoverables, financial assets related to investments, restricted funds, accrued investment income, and on-balance sheet structured settlements.

Structured settlements

The Company has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from various Canadian life insurers to provide for those payments. If the life insurers are in default, the Company may have to assume a financial guarantee obligation. Therefore, the net risk to the Company is any credit risk related to the life insurers. This credit risk is reduced since the Company deals with registered life insurers. In addition, the credit risk is further mitigated by an industry compensation scheme which would assume a significant majority of the remaining outstanding obligations in case a life insurer defaults.

b) Credit quality

The Company's risk management strategy is to invest in debt securities and preferred shares of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer by imposing limits based upon credit quality. The Company's investment policy requires at least 98% of the public fixed income investments portfolio to be rated investment grade and at least 57% of preferred shares portfolio to be rated P2 (low) or better. This credit quality restriction excludes investments through debt funds. In the case of funds, specific policy limits apply to manage the overall exposure to these investments. Management monitors subsequent credit rating changes on a regular basis.

The Company uses data from various rating agencies to rate debt securities and preferred shares. When there are two ratings for the same instrument, the Company uses the lower of the two. When there are three ratings for the same instrument, the Company uses the median.

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The following tables present the credit quality of the Company's debt securities and preferred shares.

Table 9.7 – Credit quality of debt securities

As at December 31,	2024	2023
Debt securities:		
AAA	37%	37%
AA	20%	22%
A	25%	23%
BBB	12%	12%
Not rated	6%	6%
	100%	100%

Table 9.8 – Credit quality of preferred shares¹

As at December 31,	2024	2023
Preferred shares:		
P2	82%	74%
P3	18%	26%
	100%	100%

¹ All Canadian preferred shares, including institutional, now use the same rating methodology; as a result, comparative figures have been reclassified accordingly.

Credit risk concentration

Concentration of credit risk exists where several borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions. The Company's investments could be sensitive to changing conditions in specific geographic regions or industries.

Investments

The Company has a significant concentration of its investments in the financial sector and in Canada. These risk concentrations are closely monitored. To enhance sector diversification, the Company holds investment-grade non-financial US corporate bonds. The US and European investment portfolios help diversify out of Canadian Financial issuers. The following table summarizes the concentration risk of the Company's investments (excluding cash and cash equivalents), net of financial liabilities related to investments and hedging positions.

Table 9.9 – Investment breakdown by country of incorporation and by industry

As at December 31,	2024	2023
By country of incorporation:		
Canada	49%	53%
US	29%	26%
UK	10%	10%
Other (mainly European countries)	12%	11%
	100%	100%
By industry:		
Government	30%	33%
Financials	31%	30%
ABS and MBS	11%	11%
Utilities	5%	5%
Industrials	5%	4%
Consumer staples	4%	3%
Energy	3%	2%
Other	11%	12%
	100%	100%

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The Company's regulated subsidiaries are subject to limitations on issuer concentration that vary by jurisdiction; the Company ensures continuous compliance with these regulations. The Company also monitors aggregate concentrations of credit risk by country of issuer and by industry regardless of the asset class (refer to **Note 12.2 – Risk management and counterparty credit risk**). The Company applies limits against that aggregate exposure, which are more conservative than OSFI's limits. Investment portfolio diversification helps to mitigate credit risk and is monitored against established guidelines with respect to exposure to individual issuers.

Most of the investment portfolio is invested in well established, active and liquid markets.

c) Counterparty credit risk

Counterparty credit risk arises from reinsurance (refer to **Note 12.2 – Risk management and counterparty credit risk**), over-the-counter derivatives, repurchase agreements, securities lending and borrowing transactions.

Over-the-counter derivatives, repurchase agreements, securities lending and borrowing transactions

Credit risk from over-the-counter derivative transactions reflects the potential for the counterparty to default on its contractual obligations when one or more transactions have a positive market value to the Company. Therefore, derivative-related credit risk is represented by the positive fair value of an over-the-counter instrument and is normally a small fraction of the contract's notional amount. In addition, the Company may be subject to wrong-way risk arising from certain derivative transactions. Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty.

Credit risk from securities lending and borrowing transactions arises when the counterparty can re-hypothecate or re-pledge the collateral externally. Credit risk from securities borrowing is the potential for the counterparty to default when the value of the collateral posted is higher than the value of the security borrowed.

The Company subjects its derivative-related, as well as securities lending and borrowing credit risk to the same credit approval, limit and monitoring standards that it uses for managing other transactions that create credit exposure. This includes evaluating the creditworthiness of counterparties, and managing the size, diversification and maturity structure of the portfolio. Credit utilization for all products is compared with established limits and is subject to a monthly review by the Operational Investment Committee. The Company has adopted a policy whereby, upon signing the derivative contract, the counterparty is required to have a minimum credit rating of 'A-' or to be guaranteed by such entity, and to have an issuer credit spread below established thresholds.

The Company uses netting clauses in master derivative agreements to reduce derivative-related credit exposure. Netting clauses in master derivative agreements provide for a single net settlement of all financial instruments covered by the agreement in the event of default. However, credit risk is reduced only to the extent that the Company's financial obligations toward the counterparty to such an agreement can be set off against obligations such counterparty has toward the Company. The overall exposure to credit risk that is reduced through the netting clauses may change substantially following the reporting date as the exposure is affected by each transaction subject to the agreement as well as by changes in underlying market rates and values.

The Company's rigorous collateral management process is another significant credit mitigation tool used to manage counterparty credit risk arising from over-the-counter derivatives, repurchase agreements, and securities lending and borrowing transactions. Most of the Company's legal agreements allow for daily collateral movement. Consequently, the Company regularly validates that the collateral that it pledges is not too high and that mark-to-market provisions for derivatives are sufficient. Mark-to-market provisions provide the Company with the right to request that the counterparty pay down or collateralize the current market value of its derivative positions when the value exceeds a specified threshold amount.

The aggregate credit risk exposure was \$280 million as at December 31, 2024 (\$207 million as at December 31, 2023) and is the sum of the replacement cost net of collateral plus an add-on amount for potential future credit exposure. The risk-weighted amount represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty.

d) Impairment assessment

The Company's ECL assessment and measurement method is set out below.

Expected credit loss

The Company assesses the possible default events within 12 months for the calculation of the 12mECL for investments in stage 1 of the ECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal. Lifetime ECL is required to be calculated for instruments in stages 2 or 3. In all instances, the expected loss given default is based on external historical data.

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Significant increase in credit risk and default

The Company continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Company also considers a variety of instances that may indicate unlikelihood to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- The internal rating of the counterparty indicating default or near-default;
- The counterparty having past due liabilities to public creditors or employees;
- The counterparty (or any legal entity within the debtor's group) filing for bankruptcy application/protection; and
- The counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties.

The Company considers a financial instrument credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognizes a LTECL.

Forward-looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as GDP growth, unemployment, equity markets indexes and other economic inputs.

The Company's debt instruments measured at FVTOCI and loans measured at amortized cost are in stage 1 of the ECL model. Due to the high quality of the Company's investment portfolio, the allowance for ECL was not significant as at December 31, 2024. Refer to **Table 6.1 – Classification of investments** for more details.

9.5 Liquidity risk

The Company's liquidity management is governed by establishing a prudent policy that identifies oversight responsibilities as well as by setting limits and implementing effective techniques to monitor, measure and control exposure to liquidity risk. Given the nature of the Company's P&C insurance activities, cash flows may be volatile and unpredictable. The Company uses internal liquidity metrics to monitor and control liquidity risk within its insurance subsidiaries and at the consolidated level.

The Company's liquidity needs are rigorously managed by matching asset and liability cash flows and by establishing forecasts for cash inflows and outflows. The Company invests in various types of assets to match them to its liabilities. This method maps the obligations towards insured clients to asset life and performance. The Company reviews the matching status on a quarterly basis. To manage its cash flow requirements, a portion of the Company's investments is maintained in short-term (less than one year) highly liquid money market securities. A large portion of the investments is unencumbered and held in highly liquid federal and provincial government debt to protect against any unanticipated large cash requirements. In addition, the Company also has an unsecured committed credit facility (refer to **Note 17.4 – Other financing**).

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

a) Investments and derivative financial assets by contractual maturity

Table 9.10 – Investments and derivative financial assets by contractual maturity

As at	Less than 1 year	From 1 to 5 years	Over 5 years	No specific maturity	Total
December 31, 2024					
Cash and cash equivalents	1,145	-	-	-	1,145
Debt securities	3,506	14,469	10,047	1,749	29,771
Preferred shares	-	4	308	1,348	1,660
Common shares	-	-	-	6,350	6,350
Investment property	-	-	-	571	571
Loans	30	296	459	-	785
	4,681	14,769	10,814	10,018	40,282
Derivative financial assets	59	-	52	-	111
	4,740	14,769	10,866	10,018	40,393
December 31, 2023					
Cash and cash equivalents	1,171	-	-	-	1,171
Debt securities	3,004	14,811	8,975	1,646	28,436
Preferred shares	-	4	91	1,289	1,384
Common shares	-	-	-	4,668	4,668
Investment property	-	-	-	480	480
Loans	82	221	641	-	944
	4,257	15,036	9,707	8,083	37,083
Derivative financial assets	109	-	85	-	194
	4,366	15,036	9,792	8,083	37,277

b) Financial liabilities by contractual maturity

Table 9.11 – Financial liabilities by contractual maturity

As at	Less than 1 year	From 1 to 5 years	Over 5 years	No specific maturity	Total
December 31, 2024					
Debt outstanding	300	1,064	3,317	-	4,681
Other liabilities:					
Lease liabilities – undiscounted value ¹	114	329	329	-	772
Financial liabilities related to investments	330	-	18	614	962
Other financial liabilities ²	1,407	102	13	409	1,931
	2,151	1,495	3,677	1,023	8,346
December 31, 2023					
Debt outstanding	655	1,457	2,969	-	5,081
Other liabilities:					
Lease liabilities – undiscounted value ¹	120	341	366	-	827
Financial liabilities related to investments	96	8	22	9	135
Other financial liabilities ²	1,280	144	28	391	1,843
	2,151	1,950	3,385	400	7,886

¹ Lease liabilities includes discounting of \$126 million as at December 31, 2024 (\$167 million as at December 31, 2023) (refer to **Note 16.2 – Other liabilities**).

² Excludes facility carrier payables, pension plans in a deficit position and unfunded plans, other post-employment benefits and other post-retirement benefits, and other non-financial liabilities.

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The contractual maturity of lease liabilities excludes operational costs and variable lease payments. The Company has extension options for its real estate leases. Such extensions were excluded from the measurement of lease liabilities as management concluded that it is not reasonably certain that they will be exercised.

c) Insurance and reinsurance contracts by maturity

The following table summarizes the maturity profile of portfolios of insurance and reinsurance contracts based on the undiscounted future cash flows and net payables included in incurred claims expected to be paid out in the periods presented.

Table 9.12 – Insurance and reinsurance contracts by contractual maturity¹

As at	Estimates of undiscounted future cash flows						No specific maturity	Total
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years		
December 31, 2024								
Insurance contracts liabilities	12,325	5,546	3,596	2,453	1,615	3,289	41	28,865
Reinsurance contracts assets	2,192	912	550	342	215	509	-	4,720
December 31, 2023								
Insurance contracts liabilities	12,795	5,029	3,237	2,204	1,424	3,031	37	27,757
Reinsurance contracts assets	2,967	836	399	238	149	438	-	5,027

¹ Excludes periodic payment orders and the liability for remaining coverage measured under the PAA.

Note 10 – Insurance and reinsurance contracts

10.1 Net carrying amounts of insurance and reinsurance contracts

Table 10.1 – Net carrying amounts of insurance and reinsurance contracts

As at December 31,	2024			2023		
	Remaining coverage	Incurred claims	Total	Remaining coverage	Incurred claims	Total
Insurance contracts:						
Canada	2,842	15,070	17,912	3,134	14,012	17,146
UK&I	2,939	5,797	8,736	3,905	5,071	8,976
US	2,115	3,137	5,252	1,603	2,628	4,231
Total insurance contract liabilities	7,896	24,004	31,900	8,642	21,711	30,353
Reinsurance contracts:						
Canada	39	1,492	1,531	289	1,097	1,386
UK&I	1,036	1,269	2,305	1,307	1,630	2,937
US	161	791	952	192	702	894
Total reinsurance contract assets	1,236	3,552	4,788	1,788	3,429	5,217
Net insurance and reinsurance contracts	6,660	20,452	27,112	6,854	18,282	25,136

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(in millions of Canadian dollars, except as otherwise noted)

10.2 Insurance revenue

Table 10.2 – Insurance revenue

Years ended December 31,	2024	2023
Contracts measured under PAA	25,279	23,546
Contracts measured under the GMM¹		
Amounts related to changes in liability for remaining coverage		
Risk adjustment recognized for the risk expired	45	77
Expected incurred claims and other insurance service expense	1,199	1,884
Total insurance revenue	26,523	25,507

¹ Insurance revenue from contracts measured under the GMM was related to acquired claims.

10.3 Reconciliation of carrying amounts

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts changed during the period as a result of cash flows and amounts recognized in Comprehensive income.

The Company presents tables that separately analyze movements in the liability for remaining coverage and the liability for incurred claims and reconcile these movements to the line items in Comprehensive income (Refer to **Tables 10.3** and **10.5**).

A second reconciliation is presented for contracts measured under the GMM, which separately analyzes changes in the estimates of the present value of future cash flows, the risk adjustment and the contractual service margin (Refer to **Tables 10.4** and **10.6**).

Table 10.3 – Insurance contracts analysis by remaining coverage and incurred claims

Year ended	December 31, 2024					
	LRC		LIC			Total
	Excluding loss component	Loss Component ¹	Contracts under GMM	Present value of future cash flows	Risk adjustment	
Insurance contract liabilities, beginning of year	6,034	2,608	11	20,868	832	30,353
Changes in comprehensive income:						
Insurance revenue	(26,523)	-	-	-	-	(26,523)
Incurred claims and other insurance service expense	-	(1,240)	1,121	16,971	315	17,167
Amortization of insurance acquisition cash flows	5,440	-	-	-	-	5,440
Losses and reversals on onerous contracts	-	1,109	-	-	-	1,109
Prior-year development	-	-	-	(986)	(312)	(1,298)
Insurance service expense	5,440	(131)	1,121	15,985	3	22,418
Insurance service result from insurance contracts	(21,083)	(131)	1,121	15,985	3	(4,105)
Insurance finance expense (income)	27	92	-	926	38	1,083
Exchange rate differences	256	101	1	635	33	1,026
Total changes in comprehensive income	(20,800)	62	1,122	17,546	74	(1,996)
Cash flows						
Premiums received	25,431	-	-	-	-	25,431
Claims and other insurance service expense paid	-	-	(1,097)	(15,352)	-	(16,449)
Insurance acquisition cash flows	(5,439)	-	-	-	-	(5,439)
Total cash flows	19,992	-	(1,097)	(15,352)	-	3,543
Insurance contract liabilities, end of year	5,226	2,670	36	23,062	906	31,900

¹ Loss component related to acquired claims was \$2,665 million as at December 31, 2024 (\$2,595 million as at December 31, 2023) which reflects claims that the Company will settle later than initially anticipated.

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	December 31, 2023					
	LRC		LIC			
	Excluding loss component	Loss component ¹	Contracts under PAA			Total ¹
Year ended			Contracts under GMM	Present value of future cash flows	Risk adjustment	
Insurance contract liabilities, beginning of year	7,350	2,341	52	18,642	745	29,130
Changes in comprehensive income:						
Insurance revenue	(25,507)	-	-	-	-	(25,507)
Incurred claims and other insurance service expense	-	(1,091)	1,537	16,136	345	16,927
Amortization of insurance acquisition cash flows	5,168	-	-	-	-	5,168
Losses and reversals on onerous contracts	-	1,224	-	-	-	1,224
Prior-year development	-	-	-	(439)	(296)	(735)
Insurance service expense	5,168	133	1,537	15,697	49	22,584
Investment component	(118)	-	-	118	-	-
Insurance service result from insurance contracts	(20,457)	133	1,537	15,815	49	(2,923)
Insurance finance expense (income)	96	88	-	870	37	1,091
Exchange rate differences	47	46	-	102	1	196
Total changes in comprehensive income	(20,314)	267	1,537	16,787	87	(1,636)
Cash flows:						
Premiums received	24,375	-	-	-	-	24,375
Claims and other insurance service expense paid	-	-	(1,578)	(14,561)	-	(16,139)
Insurance acquisition cash flows	(5,397)	-	-	-	-	(5,397)
Total cash flows	18,978	-	(1,578)	(14,561)	-	2,839
Disposals and other ²	20	-	-	-	-	20
Insurance contract liabilities, end of year	6,034	2,608	11	20,868	832	30,353

¹ Loss component related to acquired claims was \$2,595 million as at December 31, 2023 (\$2,250 million as at December 31, 2022) which mostly reflects claims that the Company will settle later than initially anticipated. The loss component not related to acquired claims is mainly due to certain groups of insurance contracts in the UK&I.

² Includes the write-off of insurance acquisition cash flows related to the UK Personal Lines exit. Refer to **Note 5.2 – Disposals** for more details.

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(in millions of Canadian dollars, except as otherwise noted)

Table 10.4 – Insurance contracts analysis by measurement component – Contracts measured under the GMM

Years ended December 31,	2024			2023		
	Present value of future cash flows	Risk adjustment	Total	Present value of future cash flows	Risk adjustment	Total
Insurance contract liabilities, beginning of year	5,034	190	5,224	6,447	251	6,698
Changes in comprehensive income:						
Changes that relate to current services:						
Risk adjustment recognized for the risk expired	-	(90)	(90)	-	(116)	(116)
Experience adjustments	(1,255)	-	(1,255)	(1,314)	-	(1,314)
Changes that relate to future services:						
Changes in estimates that do not adjust the contractual service margin	1,060	35	1,095	1,178	44	1,222
Insurance service result from insurance contracts	(195)	(55)	(250)	(136)	(72)	(208)
Insurance finance expense (income)	141	3	144	191	6	197
Exchange rate differences	171	6	177	110	5	115
Total changes in comprehensive income	117	(46)	71	165	(61)	104
Cash flows:						
Claims and other insurance service expense paid	(1,097)	-	(1,097)	(1,578)	-	(1,578)
Total cash flows	(1,097)	-	(1,097)	(1,578)	-	(1,578)
Insurance contract liabilities, end of year	4,054	144	4,198	5,034	190	5,224

Table 10.5 – Reinsurance contracts analysis by remaining coverage and incurred claims

Year ended	December 31, 2024					
	ARC		AIC			Total
	Excluding loss recovery component	Loss recovery component ¹	Contracts under PAA			
			Contracts under GMM	Present value of future cash flows	Risk adjustment	
Reinsurance contract assets, beginning of year	1,003	785	111	3,188	130	5,217
Changes in comprehensive income:						
Expense from reinsurance contracts	(2,579)	-	-	-	-	(2,579)
Amounts recoverable for incurred claims and other expenses	-	(387)	344	1,396	45	1,398
Loss recoveries and reversals on onerous contracts	-	298	-	-	-	298
Prior-year development	-	-	-	3	(43)	(40)
Changes in non-performance risk of reinsurers	7	-	-	(3)	-	4
Income from reinsurance contracts	7	(89)	344	1,396	2	1,660
Net expense from reinsurance contracts	(2,572)	(89)	344	1,396	2	(919)
Reinsurance finance income (expense)	24	26	-	128	6	184
Exchange rate differences	47	41	9	140	5	242
Total changes in comprehensive income	(2,501)	(22)	353	1,664	13	(493)
Cash flows						
Premiums paid	2,146	-	-	-	-	2,146
Amounts received	(175)	-	(455)	(1,452)	-	(2,082)
Total cash flows	1,971	-	(455)	(1,452)	-	64
Reinsurance contract assets, end of year	473	763	9	3,400	143	4,788

¹ Loss recovery component related to acquired claims was \$759 million December 31, 2024 (\$781 million as at December 31, 2023) and is related to the underlying loss component that was recoverable under the terms of the reinsurance contracts held.

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Year ended	December 31, 2023					
	ARC		AIC			Total
			Contracts under PAA			
	Excluding loss recovery component	Loss recovery component ¹	Contracts under GMM	Present value of future cash flows	Risk adjustment	
Reinsurance contract assets, beginning of year	1,458	662	157	2,608	119	
Changes in comprehensive income						
Expense from reinsurance contracts	(3,056)	-	-	-	-	(3,056)
Amounts recoverable for incurred claims and other expenses	2	(321)	542	1,823	46	2,092
Loss recoveries and reversals on onerous contracts	-	404	-	-	-	404
Prior-year development	-	-	-	(5)	(41)	(46)
Changes in non-performance risk of reinsurers	1	-	-	(9)	-	(8)
Income from reinsurance contracts	3	83	542	1,809	5	2,442
Net expense from reinsurance contracts	(3,053)	83	542	1,809	5	(614)
Reinsurance finance income (expense)	42	22	1	127	5	197
Exchange rate differences	22	18	1	23	1	65
Total changes in comprehensive income	(2,989)	123	544	1,959	11	(352)
Cash flows						
Premiums paid	2,537	-	-	-	-	2,537
Amounts received	(3)	-	(590)	(1,379)	-	(1,972)
Total cash flows	2,534	-	(590)	(1,379)	-	565
Reinsurance contract assets, end of year	1,003	785	111	3,188	130	5,217

¹ Loss recovery component related to acquired claims was \$781 million as at December 31, 2023 (\$649 million as at December 31, 2022) and is related to the underlying loss component that was recoverable under the terms of the reinsurance contracts held.

Table 10.6 – Reinsurance contracts analysis by measurement component – Contracts measured under the GMM

Year ended	December 31, 2024				Total
	Present value of future cash flows	Risk adjustment	Contractual service margin		
Reinsurance contract assets, beginning of year	1,685	55	9		1,749
Changes in comprehensive income					
Changes that relate to current services					
Contractual service margin recognized for services received	-	-	(4)		(4)
Risk adjustment recognized for the risk expired	-	(22)	-		(22)
Experience adjustments	(463)	-	-		(463)
Changes that relate to future services					
Changes in estimates that do not adjust the contractual service margin	294	3	-		297
Changes in non-performance risk of reinsurers	6	-	-		6
Net expense from reinsurance contracts	(163)	(19)	(4)		(186)
Reinsurance finance income (expense)	50	2	-		52
Exchange rate differences	80	2	-		82
Total changes in comprehensive income	(33)	(15)	(4)		(52)
Cash flows					
Amounts received	(455)	-	-		(455)
Total cash flows	(455)	-	-		(455)
Reinsurance contract assets, end of year	1,197	40	5		1,242

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Year ended	December 31, 2023			Total
	Present value of future cash flows	Risk adjustment	Contractual service margin	
Reinsurance contract assets, beginning of year	2,173	84	12	2,269
Changes in comprehensive income				
Changes that relate to current services				
Contractual service margin recognized for services received	-	-	(3)	(3)
Risk adjustment recognized for the risk expired	-	(32)	-	(32)
Experience adjustments	(450)	-	-	(450)
Changes that relate to future services				
Changes in estimates that do not adjust the contractual service margin	439	(2)	-	437
Changes in non-performance risk of reinsurers	1	-	-	1
Net expense from reinsurance contracts	(10)	(34)	(3)	(47)
Reinsurance finance income (expense)	67	3	-	70
Exchange rate differences	45	2	-	47
Total changes in comprehensive income	102	(29)	(3)	70
Cash flows				
Amounts received	(590)	-	-	(590)
Total cash flows	(590)	-	-	(590)
Reinsurance contract assets, end of year	1,685	55	9	1,749

10.4 Material accounting judgments, estimates and assumptions

Liability for incurred claims – Estimate of undiscounted future cash flows

The Company establishes claims liabilities to cover the estimated liability for the cash flows associated with incurred losses as at the balance sheet date, including claims not yet reported and loss adjustment expenses incurred with respect to insurance contracts underwritten and reinsurance contracts placed by the Company. The ultimate cost of claims liabilities is estimated by using generally accepted standard actuarial techniques.

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim (severity) and average number of claims (frequency) based on the observed development of earlier years and expected loss ratios. Historical claims development is analyzed by accident year, geographical area, as well as significant business line and claim type. Catastrophic weather events are separately projected to reflect the fact that their development might differ from historical losses while very large losses are typically left reserved at the face value of claims adjuster estimates.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in the future (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking into account all the uncertainties involved.

A particular area of consideration during the year ended December 31, 2024 has been the reducing levels of inflation. While inflation remains higher than historically, the Company has observed slower increases to the assessed cost of claims across many different lines of business and types of claims, consistent with the general economic environment and the wider insurance industry. A lot of focus was put on reviewing changes in inflation assumptions, updating methodologies to project the ultimate cost of claims given the changing trends, ensuring consistency of reserving assumptions with other areas of the business and running sensitivity tests to understand the impact of alternative assumptions in order to get comfort with final selections. Claims inflation is likely to remain as a key area of risk and uncertainty for the purpose of estimating the ultimate cost of claims over 2025.

In relation to COVID-19, the Company applied actuarial standards to determine its claims liabilities reserve as well as judgment, using different scenarios and assumptions based on the increasing amount of information available. As a result of the COVID-19 crisis, the claims liabilities may be subject to volatility from potential distortion in claims development pattern and claim severity for certain lines of business.

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Discount rates

The liability for incurred claims under the PAA and GMM and the liability for remaining coverage under the PAA, when onerous, and GMM are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contracts. The illiquidity premium is determined by reference to observable market rates of investment grade bonds that the Company believes reflects the nature of the liabilities and are a suitable proxy for assessing the value of illiquidity.

Discount rates applied for discounting of future cash flows are listed below:

Table 10.7 – Yield curves used to discount cash flows for insurance and reinsurance contracts for major currencies

As at December 31,	2024				2023			
	1 year	3 years	5 years	10 years	1 year	3 years	5 years	10 years
CAD	3.3%	3.5%	3.7%	4.1%	4.9%	4.3%	4.2%	4.2%
USD	4.6%	4.7%	4.9%	5.2%	5.2%	4.7%	4.6%	4.7%
GBP	4.9%	4.8%	5.0%	5.3%	5.0%	4.5%	4.4%	4.5%
EUR	2.6%	2.8%	3.0%	3.3%	3.5%	3.2%	3.1%	3.2%
Periodic payment orders	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Risk adjustment

The risk adjustment is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. It reflects an amount the Company would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The main non-financial risks considered in determining the risk adjustment are:

- The level of uncertainty in the best estimate;
- The variability of key inflation assumptions; and
- Possible economic and legislative changes.

The Company has estimated the risk adjustment based on a percentile (80% as at December 31, 2024 and 2023) of the loss distribution of the Company's economic capital model less the mean of the loss distribution. Percentile estimates for loss distribution are highly uncertain. The loss distribution is estimated using standard statistical techniques in accordance with generally accepted actuarial principles.

The main assumptions underlying these techniques are:

- Historical claims development can be used to generate the full range of potential outcomes; and
- Expert judgments to allow for the correlation between line of business and region.

Additional qualitative judgment is used to assess the extent to which there are events not included in the historical data.

Liability for remaining coverage under the PAA (when onerous) and GMM – Estimate of undiscounted future cash flows

The Company's objective in estimating future cash flows is to determine the expected value of the full range of possible outcomes, considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows on a probability-weighted basis that are within the contract boundary. The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows.

Coverage units

Recognition of deferred profit in Net income through the amortization of the contractual service margin is dictated by coverage units which quantify the amount of insurance service provided in any given period. In the context of retrospective reinsurance contracts and acquired claims, the Company deems the expected settlement pattern of outstanding future cash flows to be the best representation of service provided.

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10.5 Sensitivity analysis

The liability for incurred claims' sensitivity to certain key assumptions is outlined below. It is not possible to quantify the sensitivity to certain assumptions such as legislative changes or uncertainty in the estimation process. The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on Net income. Movements in these assumptions may be non-linear and may be correlated with one another.

Table 10.8 – Sensitivity analysis (liability for incurred claims) – Impact on Net income

As at December 31,	2024				2023			
	Direct ¹		Net ²		Direct ¹		Net ²	
	Reserves +5%	Discount rate +1%	Reserves +5%	Discount rate +1%	Reserves +5%	Discount rate +1%	Reserves +5%	Discount rate +1%
Canada	(579)	241	(523)	222	(557)	222	(508)	204
UK&I ³	(469)	172	(327)	105	(501)	174	(301)	95
US	(119)	44	(89)	33	(105)	40	(81)	31

¹ Represents the liability for incurred claims before net payables included in incurred claims and the reclass of claims reported under the GMM.

² Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM.

³ Excludes periodic payment orders. A change of +0.5% in the discount rate of the direct periodic payment orders would increase Net income by \$39 million and \$37 million as at December 31, 2024 and 2023, respectively. A change of +0.5% in the discount rate of net periodic payment orders would increase Net income by \$20 million and \$20 million as at December 31, 2024 and 2023, respectively.

10.6 Fair value of the net liability for incurred claims

The Company estimates that the fair value of its net liability for incurred claims approximates its carrying amount.

Table 10.9 – Carrying amount of the net liability for incurred claims

As at December 31,	2024			2023		
	Direct	Ceded	Net	Direct	Ceded	Net
Undiscounted value	28,099	4,346	23,753	27,065	4,560	22,505
Effect of time value of money	(2,282)	(356)	(1,926)	(2,356)	(372)	(1,984)
Undiscounted risk adjustment	1,132	206	926	1,106	217	889
Periodic payment orders ¹	451	210	241	417	186	231
Net liability for incurred claims before net payables and claims reported under the GMM	27,400	4,406	22,994	26,232	4,591	21,641
Net payables included in incurred claims	766	374	392	692	467	225
Reclass of claims reported under the GMM ²	(4,162)	(1,228)	(2,934)	(5,213)	(1,629)	(3,584)
Net liability for incurred claims	24,004	3,552	20,452	21,711	3,429	18,282

¹ The net periodic payment orders are net of the discount and risk adjustment of \$358 million as at December 31, 2024 (\$346 million as at December 31, 2023).

² Includes the acquired claims and retroactive reinsurance reclassifications from liability for incurred claims to liability for remaining coverage.

10.7 Prior-year claims development

The claims development table below demonstrates the extent to which the original claim cost estimates in any one accident year has subsequently developed favourably (lower than originally estimated) or unfavourably. This table illustrates the variability and inherent uncertainty in estimating the claims estimate on a yearly basis. The ultimate claims cost for any accident year is not known until all claims payments have been made. For property insurance, payout of claims liabilities generally occurs shortly after the occurrence of the loss. For casualty (long-tailed) coverages, the loss may not be paid, or even reported, until well after the loss occurred. The estimated ultimate claims payments at the end of each subsequent accident year demonstrate how the original estimate has been revised over time.

The outstanding claims liabilities assumed and revised estimates resulting from a business combination are included in the claims development table from the acquisition year. Prior years are adjusted to ensure comparability while avoiding the presentation of development in pre-acquisition accident years. Future developments are presented from the acquisition year.

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The following table presents the estimates of cumulative incurred claims after reinsurance with subsequent developments during the periods and together with cumulative payments to date.

Table 10.10 – Prior-year claims development – net of reinsurance

As at December 31, 2024	Accident year										
	Total	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015 Earlier
Estimates of undiscounted net cumulative claims	8,365	8,149	7,448	7,015	5,130	4,851	4,269	4,180	3,552	3,056	
Revised estimates											
One year later			7,770	7,468	6,462	4,819	4,743	4,170	4,030	3,590	2,953
Two years later				7,341	6,233	4,693	4,682	4,181	3,996	3,596	2,988
Three years later					6,014	4,519	4,575	4,228	3,996	3,659	3,010
Four years later						4,405	4,503	4,167	4,012	3,705	3,030
Five years later							4,419	4,143	3,998	3,719	3,046
Six years later								4,109	3,970	3,678	3,037
Seven years later									3,945	3,634	2,982
Eight years later										3,604	3,003
Nine years later											3,019
Current estimate	8,365	7,770	7,341	6,014	4,405	4,419	4,109	3,945	3,604	3,019	
Cumulative net claims paid to date	-	(3,069)	(4,270)	(3,978)	(2,883)	(3,478)	(3,399)	(3,492)	(3,232)	(2,802)	
Undiscounted net claims	23,753	8,365	4,701	3,071	2,036	1,522	941	710	453	372	217 1,365
Effect of time value of money	(1,926)										
Undiscounted risk adjustment	926										
Periodic payment orders	241										
Net liability for incurred claims before net payables and claims reported under the GMM	22,994										
Net payables included in incurred claims	392										
Reclass of claims reported under the GMM¹	(2,934)										
Net liability for incurred claims (Table 10.9)	20,452										

¹ Includes the acquired claims and retroactive reinsurance reclassifications from liability for incurred claims to liability for remaining coverage.

The original reserve estimates are evaluated quarterly for redundancy or deficiency. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

To eliminate the distortion resulting from changes in foreign currency rates, all amounts denominated in currencies other than the CAD have been translated into CAD using the exchange rate in effect as at December 31, 2024.

10.8 Industry pools

The Company participates in several voluntary and mandatory industry pools in different jurisdictions as it operates in various countries. The impact of these industry pools on the Consolidated financial statements may vary, as in some cases the Company pays a levy to the pool and in other cases it may assume or cede risks.

Note 11 – Insurance risk

The Company principally underwrites automobile, home, as well as commercial P&C contracts to individuals and businesses in the Canadian, UK&I and US insurance market. Refer to **Note 30 – Segment information** for more details.

Most of the insurance risk to which the Company is exposed is of a short-tail nature. Policies generally cover a 12-month period. The following table presents the average duration of the net liability for incurred claims.

Table 11.1 – Average duration of the net liability for incurred claims (in years)¹

As at December 31,	2024	2023
Canada	2.1	2.0
UK&I ²	2.5	2.5
US	2.0	2.1

¹ Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM.

² Includes the duration of period payment orders of 19.7 years as at December 31, 2024 (19.6 years as at December 31, 2023).

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Insurance risk is the risk that a loss arises from the following reasons:

- underwriting and pricing (**Note 11.1**);
- fluctuation in the timing, frequency and severity of claims relative to expectations (**Note 11.2**);
- large, unexpected losses arising from a single event such as a catastrophe (**Note 11.3**);
- risk related to the liability for incurred claims (**Note 11.4**); and
- inadequate reinsurance protection (**Note 12.2**).

Insured events can occur at any time during the coverage period and can generate losses of variable amounts. An objective of the Company is to ensure that a sufficient liability for incurred claims is established to cover future insurance claim payments related to past insured events. The Company's success depends upon its ability to accurately assess the risk associated with the insurance contracts underwritten by the Company. The Company establishes a liability for incurred claims to cover the estimated liability for the payment of all losses, incurred with respect to insurance contracts underwritten by the Company.

The liability for incurred claims is the Company's best estimate of its expected ultimate cost of resolution and administration of claims. Expected claim cost inflation is considered when estimating the liability for incurred claims, thereby mitigating inflation risk. The composition of the Company's insurance risk, as well as the methods employed to mitigate risks, are described hereafter.

11.1 Underwriting and pricing risks

The insurance business is cyclical in nature whereby the industry generally reduces insurance rates following periods of increased profitability, while it generally increases rates following periods of sustained loss. The Company's profitability tends to follow this cyclical market pattern and can also be affected by demand and competition. In addition, the Company's underwriting performance is at risk from a deterioration of the economy, unexpected cost inflation, inadequate segmentation, the misestimation of replacement costs, and/or unclear wording in our contracts. The Company also manages emerging risks that may arise.

The Company has a risk appetite statement approved by the Board of Directors that includes guiding principles for risk taking and key risk metrics. These metrics are monitored and reported on frequently to ensure underwriting risk remains within our tolerance.

a) Concentration by countries and lines of business

Table 11.2 – Concentration by countries and lines of business

As at December 31,	2024		2023	
	Insurance revenue ¹	Net liability for incurred claims ²	Insurance revenue ¹	Net liability for incurred claims ²
By countries				
Canada	64%	62%	64%	63%
UK&I	25%	28%	25%	28%
US	11%	10%	11%	9%
	100%	100%	100%	100%
By lines of business				
Personal auto - Canada	27%	31%	26%	31%
Personal property - Canada	16%	6%	16%	7%
Commercial lines - Canada	21%	25%	22%	25%
Personal lines - UK&I	7%	6%	7%	7%
Commercial lines - UK&I	18%	22%	18%	21%
Commercial lines - US	11%	10%	11%	9%
	100%	100%	100%	100%

¹ Excludes insurance revenue from acquired claims related to the RSA acquisition and assumed commissions.

² Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM.

Risks associated with commercial lines and personal insurance contracts may vary in relation to the geographical area of the risk insured by the Company. For instance, legislation for automobile insurance is in place at a provincial level in Canada and this creates differences in the benefits provided among the provinces.

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The Company's exposure to concentration of insurance risk, in terms of type of risk and level of insured benefits, is mitigated by careful selection and implementation of underwriting strategies, which is in turn largely achieved through diversification across industry sectors and geographical areas. Diversification also reduces the uncertainty associated with the unfavourable development of claims liabilities for the Company's Canadian, US and UK&I operations. The Company maintains Growth and Profitability Committees responsible for balancing growth and profitability of its insurance business and ensuring it remains adequately compensated for the risks that it underwrites.

The Enterprise Risk Committee monitors the Company's overall risk profile, aiming for a balance between risk, return and capital and determines policies concerning the Company's risk management framework. Its mandate is to identify, measure and monitor risks, as well as avoid risks that are outside of the Company's risk tolerance level. Further, to minimize unforeseen risks, new products are subject to an internal product and approval review process. The Company also uses reinsurance under its strategy for managing the underwriting risk. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect the Company's ceded premium volume and profitability. Reinsurance companies exclude some types of coverage from the contracts that the Company purchases from them or may alter the terms of such contracts from time to time. These gaps in reinsurance protection expose the Company to greater risk and greater potential loss and could adversely affect its ability to underwrite future business. Where the Company cannot successfully mitigate risk through reinsurance arrangements, consideration is given to reducing premiums written to lower its risk.

11.2 Risk related to the timing, frequency and severity of claims

With the occurrence of claims being unforeseeable, the Company is exposed to the risk that the number and the severity of claims could exceed the estimates.

Strict claim review policies are in place to assess all new and ongoing claims. Regular detailed reviews of claims handling procedures and frequent investigations of possible fraudulent claims reduce the Company's risk exposure. Further, the Company enforces a policy of actively managing and promptly pursuing claims, to reduce its exposure to unpredictable future developments that could negatively impact the business. The Company regularly reviews large losses and contentious matters to ensure that an appropriate liability for incurred claims is established and approved.

11.3 Catastrophe risk

Catastrophe risk is the risk of occurrence of a catastrophe defined as any one claim, or group of claims related to a single event such as a natural disaster or any climatic, environmental, technological, political, or geopolitical risk. Catastrophes can have a significant impact on the underwriting income of an insurer. Changing climate conditions may add to the unpredictability, frequency and severity of natural disasters and create additional uncertainty as to future trends and exposures.

Catastrophic events include natural disasters and unnatural events:

- There are a wide variety of natural disasters including but not limited to earthquakes, hurricanes, windstorms, hailstorms, rainstorms, ice storms, floods, solar storms, severe winter weather and wildfires.
- Unnatural catastrophe events include but are not limited to hostilities, terrorist acts, riots, explosions, crashes and derailments, and wide scale cyber-attacks.

Despite the use of sophisticated models, the incidence and severity of catastrophic events are inherently unpredictable. The extent of losses from a catastrophic event is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event.

The Company manages its exposure to catastrophe risk by imposing limits of insurance, deductibles, exclusions and strong underwriting guidelines on contracts, as well as by using reinsurance arrangements. The placement of ceded reinsurance is mainly on an excess-of-loss basis (per event or per risk), but some proportional cessions are performed on specific portfolios. Ceded reinsurance complies with regulatory guidelines. Retention limits for the excess-of-loss reinsurance vary by product line. Refer to *Note 12.1 – Company's reinsurance net retention and coverage limits by nature of risk*.

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11.4 Liability for incurred claims risk

The principal assumption underlying the liability for incurred claims estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. Liability for incurred claims estimates are also based on various quantitative and qualitative factors, including:

- average claim costs, including claim handling costs (severity);
- average number of claims by accident year (frequency);
- trends in claim severity and frequency;
- payment patterns;
- inflation including social inflation;
- other factors such as expected or in-force government pricing and coverage reforms, and level of insurance fraud;
- discount rate; and
- risk adjustment (refer to **Note 10.4 – Material accounting judgments, estimates and assumptions** for more details).

Refer to **Note 10.5 – Sensitivity analysis** for the liability for incurred claims' sensitivity to certain key assumptions.

Most or all the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Company's ability to accurately assess the risk of insurance contracts that the Company underwrites. There may also be significant lags between the occurrence of the insured event and the time it is reported to the Company and additional lags between the time of reporting and final settlement of claims.

Regional Reserve Review Committees provide Chief Actuaries a forum to present their estimates to business stakeholders and get their feedback to ensure consistency across divisions within each region on key assumptions. Additionally, the Executive Vice President, Chief Risk and Actuarial Officer being a member of each Regional Reserve Review Committee ensures that macro-level assumptions are considered consistently across regions.

Note 12 – Reinsurance

12.1 Company's reinsurance net retention and coverage limits by nature of risk

In the ordinary course of business, the Company reinsures certain risks with reinsurers to limit its maximum loss in the event of catastrophic events or other significant losses.

The Company has a corporate reinsurance program which covers single risk events and multi-risk events and catastrophes. The following table shows the reinsurance retention and coverage limits for multi-risk events and catastrophes.

Table 12.1 – Company's reinsurance net retention and coverage limits by nature of risk

As at December 31,	2024	2023
Canadian events (in million of CAD)		
Retention ¹	250	250
Coverage limits ²	5,400	6,400
US events (in million of CAD)		
Retention ¹	150	150
Coverage limits ²	1,300	1,300
UK events (in million of GBP)		
Retention ¹	150	125
Coverage limits ²	2,100	1,600

¹ Excludes reinstatement premiums, tax impacts, and co-participations between the retention level and coverage limits.

² Represents the ground up limits before co-participations and retention level.

Effective January 1, 2024, the Company reduced its coverage limits for Canadian events to reflect the reduction in earthquake exposure in British Columbia, while maintaining a consistent risk appetite. For US events, the Company maintained the same retention and coverage limit for 2024. For UK events, the Company increased its UK retention and coverage limits to reflect the impact of the DLG acquisition.

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Effective January 1, 2025, the Company increased its coverage limits for Canadian events from \$5.4 billion to \$5.6 billion to reflect a small increase in earthquake exposure in British Columbia. The Company increased its retention in Canada from \$250 million to \$350 million to reflect reinsurance market conditions. For US events, the Company maintained the same retention and coverage limit for 2025. For UK events, the Company maintained the same retention at £150 million and reduced its coverage limits from £2.1 billion to £1.8 billion, and effective July 1, 2025, the coverage limits will be reduced to £1.65 billion to reflect the reducing exposure from UK Personal Lines as it continues to run-off.

In addition to the above, the Company placed a new global cover to protect against multiple catastrophe events during 2025. Losses to specified layers beneath the main catastrophe retentions, from all business segments, are added together across the year. The total of these losses is then protected above an aggregate deductible. The new coverage provides \$250 million of limit.

The Company's approach for setting limits in each country is consistent with prior years.

12.2 Risk management and counterparty credit risk

The Company relies on reinsurance to manage underwriting risk. Under reinsurance programs, management considers that for a contract to reduce exposure to risk, it must be structured to ensure that the reinsurer assumes significant insurance risk related to the underlying reinsured risks and it is reasonably possible that the reinsurer may realize a significant loss from the reinsurance.

Although reinsurance makes the assuming reinsurer liable to the Company to the extent of the risk ceded, the Company is not relieved of its primary liability to its policyholders as the direct insurer. There is no certainty that its reinsurers will pay all reinsurance claims on a timely basis or at all. As a result, the Company bears credit risk with respect to its reinsurers on potential future recoverable and collectability of balances due from reinsurers is important to the Company's financial strength.

The Company is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. The Company's placement of reinsurance is diversified such that it is not dependent on a single reinsurer and the Company's operations are not substantially dependent upon any single reinsurance contract. The Company also has a policy that limits potential exposure to a single reinsurer. The Company monitors the financial strength of its reinsurers on a regular basis. Uncollectible amounts historically have not been significant.

As at December 31, 2024 and 2023, the Company did not have significant concentration of credit risk with any single reinsurer.

Management concluded that the Company was not exposed to significant loss from reinsurers for potentially uncollectible reinsurance as at December 31, 2024 and 2023.

The Company also has minimum rating requirements for its reinsurers. Substantially all reinsurers are required to have a minimum credit rating of 'A-' at inception of the contract. The Company also requires that its contracts include a special termination and security review clause allowing the Company to replace a reinsurer during the contract period should the reinsurer's credit rating fall below the level acceptable to the Company or for other reasons that might jeopardize the Company's ability to continue doing business with such reinsurer as intended at the time of entering into the reinsurance arrangement.

When applicable, the Company obtains collateral to support reinsurance contract assets and reduce exposure to credit risk from unregistered reinsurers in Canada, and from unauthorized reinsurers in the US and captive reinsurers in the UK&I, which amounted to \$673 million as at December 31, 2024 (\$417 million as at December 31, 2023). This collateral consists of cash, security agreements, and letters of credit and could be used should these reinsurers be unable to meet their obligations.

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Note 13 – Goodwill and intangible assets

13.1 Summary of goodwill and intangible assets

Table 13.1 – Reconciliation of the carrying amount of goodwill and intangible assets

	Goodwill	Distribution networks	Intangible assets		Total intangible assets
			Customer relationships and trade names	Internally developed software	
Cost					
Balance as at January 1, 2024	4,085	3,847	1,246	1,888	6,981
Acquisitions and costs capitalized	302	3	129	352	484
Disposals and write-off	-	-	(10)	(30)	(40)
Exchange rate differences	120	117	13	51	181
Balance as at December 31, 2024	4,507	3,967	1,378	2,261	7,606
Accumulated amortization					
Balance as at January 1, 2024	-	(568)	(584)	(782)	(1,934)
Amortization expense	-	(158)	(127)	(278)	(563)
Disposals and write-off	-	-	3	1	4
Exchange rate differences	-	(31)	(3)	(19)	(53)
Balance as at December 31, 2024	-	(757)	(711)	(1,078)	(2,546)
Net carrying amount	4,507	3,210	667	1,183	5,060
Cost					
Balance as at January 1, 2023	3,350	3,547	1,105	1,560	6,212
Business combinations (Note 5)	544	313	53	17	383
Acquisitions and costs capitalized	207	9	84	385	478
Disposals and write-off ¹	-	-	-	(86)	(86)
Exchange rate differences	(16)	(22)	4	12	(6)
Balance as at December 31, 2023	4,085	3,847	1,246	1,888	6,981
Accumulated amortization					
Balance as at January 1, 2023	-	(443)	(466)	(603)	(1,512)
Amortization expense	-	(132)	(117)	(187)	(436)
Disposals and write-off	-	-	-	8	8
Exchange rate differences	-	7	(1)	-	6
Balance as at December 31, 2023	-	(568)	(584)	(782)	(1,934)
Net carrying amount	4,085	3,279	662	1,106	5,047

¹ Mainly related to the UK Personal Lines exit. Refer to Note 5.2 – Disposals for more details.

Intangible assets under development amounted to \$345 million as at December 31, 2024 (\$396 million as at December 31, 2023). These intangible assets are not subject to amortization but are tested for impairment on an annual basis.

During the year ended December 31, 2024, the Company completed multiple acquisitions, related to distribution activities and supply chain operations with a total purchase price of \$368 million. The purchase price was mainly allocated to goodwill and intangibles.

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13.2 Material accounting judgments, estimates and assumptions

a) Allocation of goodwill and intangible assets with indefinite lives to the group of CGUs

Goodwill and intangible assets with indefinite lives are allocated to CGUs, or groups of CGUs, that are expected to benefit from the business combination in which they arose.

Table 13.2 – Allocation of goodwill and intangible assets with indefinite lives to the groups of CGUs

As at December 31,	Goodwill		Intangible assets	
	2024	2023	2024	2023
Canada	2,845	2,543	832	829
UK&I	586	550	-	-
US	1,076	992	9	9
	4,507	4,085	841	838

b) Impairment testing of goodwill and intangible assets with indefinite lives

The Company determines whether goodwill and intangible assets with indefinite useful lives (not subject to amortization) are impaired at least annually and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable at the CGU or group of CGUs level.

The annual impairment tests were performed as at June 30, 2024 and 2023 for the Canada and US groups of CGUs and as at September 30, 2024 for the UK&I CGU.

No impairment test was performed for the UK&I CGU as at December 31, 2023 since the DLG acquisition was completed in October 2023 and the related goodwill was already at fair value. Previously, there was no goodwill and intangible assets with indefinite lives allocated to this CGU as the RSA acquisition in 2021 resulted in a bargain gain and there were no intangible assets with indefinite lives.

The Canada, UK&I, and US groups of CGUs, which correspond to the Company's operating segments level, were tested for impairment by comparing their carrying amount to their recoverable amount, which has been determined based on a value in use calculation using the following key estimates and assumptions:

- Cash flow projections for the next three years are based on financial budgets approved by the Board of Directors and determined using budgeted margins based on past performance and management expectations for the Canada, UK&I, and US groups of CGUs and their industry.
- Cash flow projections beyond the three-year period are extrapolated using estimated growth rates, based mainly on the Canadian, UK&I, and US inflation, as well as demographic or gross domestic product growth perspectives.
- Pre-tax discount rate is based on the weighted-average cost of capital for comparable companies whose activities are similar to the Canada, UK&I, and US groups of CGUs.
- In some cases, the Company can use, for its current year impairment test, the most recent detailed calculation of the recoverable amount made in a preceding year, but only if there are no significant changes to the CGU, the likelihood of impairment is remote based on the analysis of current events and circumstances, and the most recent recoverable amount substantially exceeds the carrying amount of the CGU. The impairment tests as at June 30, 2024 for the Canada and US groups of CGUs were performed using the 2023 calculation of their respective recoverable amounts.

Table 13.3 – Key assumptions used (groups of CGUs)

	Terminal growth rate		Pre-tax discount rate	
	2024	2023	2024	2023
Canada	3.0%	3.0%	11.1%	11.1%
UK&I	-%	n/a	10.5%	n/a
US	3.0%	3.0%	10.8%	10.8%

No impairment loss on goodwill or intangible assets with indefinite lives has been recognized for these CGUs for the years ended December 31, 2024 and 2023.

The key assumptions used to determine the recoverable amount of each group of CGUs were tested for sensitivity by applying a reasonably possible change to those assumptions, with all other assumptions held constant. The results of the sensitivity analysis would not have resulted in an impairment of the any of the groups of CGUs.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 14 – Investments in associates and joint ventures

Table 14.1 – Movement in investments in associates and joint ventures

Years ended December 31,	2024	2023
Balance, beginning of year	944	845
Acquisitions, net of disposals	(49)	42
Dividends received	(44)	(39)
Share of profit (loss) recognized in:		
Net income	89	96
Balance, end of year	940	944
Of which:		
Associates	572	579
Joint ventures	368	365

During the year ended December 31, 2024, there were no events or changes in circumstances that indicated that the carrying amounts of the Company's investments in associates and joint ventures, all of which are investments in private entities, may not be recoverable.

The Company had no significant contingent liabilities or capital commitments relating to these associates and joint ventures as at December 31, 2024 and 2023.

Note 15 – Property and equipment

Table 15.1 – Net carrying amount of property and equipment

As at December 31,	2024	2023
Right-of-use assets ¹	480	493
Furniture and equipment	112	120
Leasehold improvements	154	116
Land and buildings	74	70
	820	799

¹ Right-of-use assets mainly related to real estate for which additions for the year ended December 31, 2024 amounted to \$71 million (\$123 million – December 31, 2023). Total additions to right-of-use assets related to business combinations were nil for the year ended December 31, 2024 (\$2 million – December 31, 2023)

Note 16 – Other assets and other liabilities

16.1 Other assets

Table 16.1 – Components of other assets

As at December 31,	2024	2023
Other receivables and recoverables	534	553
Financial assets related to investments (<i>Table 16.2</i>)	433	203
Other investments ¹	376	338
Pension plans in a surplus position (<i>Table 29.1</i>)	296	229
Accrued investment income	248	206
Prepays	242	195
Restricted funds	43	54
Other	142	158
	2,314	1,936

¹ Mainly includes preferred shares and private funds recorded at fair value based on information such as future cash flows, discount rates, projected earnings multiples, multiples of broker commissions, or recent transactions, classified in Level 3 of the fair value hierarchy.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Table 16.2 – Financial assets related to investments

As at December 31,	2024	2023
Securities purchased under reverse repurchase agreements	215	-
Derivative financial assets (<i>Table 7.2</i>)	111	194
Accounts receivable from investment brokers on unsettled trades	107	9
	433	203

16.2 Other liabilities

Table 16.3 – Components of other liabilities

As at December 31,	2024	2023
Financial liabilities related to investments (<i>Table 16.4</i>)	962	135
Lease liabilities	646	660
Accrued salaries and related compensation	640	535
Accounts payable and accrued expenses	390	417
Pension plans in a deficit position and unfunded plans (<i>Table 29.1</i>)	218	228
Other payables to broker	190	188
Bank overdraft (<i>Table 31.3</i>)	148	-
Facility carrier payables	144	132
Collaterals from third parties	131	154
Industry pool payables	131	133
Provisions	106	93
Premiums payable by brokers to insurers	91	116
Other post-employment benefits and other post-retirement benefits	88	85
Other	177	263
	4,062	3,139

Table 16.4 – Financial liabilities related to investments

As at December 31,	2024	2023
Equities sold short positions (<i>Table 6.4</i>)	614	9
Derivative financial liabilities (<i>Table 7.2</i>)	251	91
Accounts payable to investment brokers on unsettled trades	97	35
	962	135

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 17 – Debt outstanding

17.1 Summary of debt outstanding

Table 17.1 – Carrying amount of debt outstanding

As at December 31,	Maturity date	Initial term (years)	Fixed rate	Coupon (payment)	Principal amount	Carrying amount (net of fees)	
						2024	2023
Medium-term notes ¹							
Series 2	Nov. 2039	30	6.40%	May & Nov.	250	248	248
Series 3	Jul. 2061	50	6.20%	Jan. & Jul.	100	99	99
Series 5	Jun. 2042	30	5.16%	Jun. & Dec.	250	249	249
Series 6	Mar. 2026	10	3.77%	Mar. & Sep.	250	250	250
Series 7	Jun. 2027	10	2.85%	Jun. & Dec.	425	424	424
Series 8	Mar. 2025	5	3.69%	Mar. & Sep.	300	300	299
Series 9	Dec. 2030	10	1.93%	Jun. & Dec.	300	299	299
Series 10	Dec. 2050	30	2.95%	Jun. & Dec.	300	298	298
Series 11	May 2024	3	1.21%	May & Nov.	375	-	375
Series 12	May 2028	7	2.18%	May & Nov.	375	374	374
Series 13	May 2053	32	3.77%	May & Nov.	250	248	248
Series 14	Sep. 2054	31	5.28%	Mar. & Sep.	400	396	396
Series 15 ²	May 2034	10	4.65%	May & Nov.	300	298	-
2022 US senior notes ³	Sep. 2032	10	5.46%	Mar. & Sep.	USD500	713	655
Term loans (Refer to 17.3)							
GBP tranche	Feb. 2024	1			£100	-	169
GBP loan	Oct. 2025	2			£65	-	110
Guaranteed subordinated							
GBP notes ⁴ (Refer to 17.4)	Oct. 2045	31	5.13%	Oct.	£120	222	214
US bonds	Oct. 2029	30	8.95%	Apr. & Oct.	USD9	16	16
Commercial paper						-	105
Other Debt	Various					-	6
Total debt outstanding before hybrid subordinated notes						4,434	4,834
Hybrid subordinated notes							
Series 1 ⁵	Mar. 2081	60	4.13%	Mar. & Sep.	250	247	247
Total debt outstanding						4,681	5,081

¹ Series 2 to 14 may be redeemed at the option of the issuer, in whole or in part, at any time, at a redemption price equal to the greater of the Government of Canada Yield at the date of redemption plus a margin or their par value.

² May be redeemed at the option of the issuer, in whole or in part, at any time within five years of maturity, from May 2029, at a redemption price equal to their par value.

³ May be redeemed at the option of the issuer, in whole or in part, at any time, at a redemption price equal to the greater of the Treasury Rate at the date of redemption plus a margin or their par value.

⁴ May be redeemed at the option of the issuer, in whole, on specific dates from October 2025 at a redemption price equal to their par value.

⁵ May be redeemed at the option of the issuer, in whole or in part, every five years, on specific dates, from March 2026, at a redemption price equal to their par value.

Fair value of debt outstanding amounted to \$4,692 million as at December 31, 2024 (\$5,004 million as at December 31, 2023) and was established using valuation data from a benchmark firm.

17.2 Financing issued in 2024

Series 15 Unsecured Medium-Term Notes

- On May 16, 2024, the Company completed an offering of \$300 million principal amount of Series 15 unsecured medium-term notes through a private placement in Canada. The notes bear interest at a fixed annual rate of 4.65% payable in semi-annual instalments, commencing on November 16, 2024, until May 16, 2029. Subsequently, the interest is reset at a rate of 1.00% over the Daily Compounded Canadian Overnight Repo Rate Average and is payable in quarterly instalments until the maturity date on May 16, 2034.
- The net proceeds received were used to redeem the Company's \$375 million Series 11 unsecured medium-term notes due May 21, 2024.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

17.3 Financing issued in 2023

Series 14 Unsecured Medium-Term Notes	- On September 14, 2023, the Company completed an offering of \$400 million principal amount of Series 14 unsecured medium-term notes through a private placement in Canada. These notes bear interest at an annual rate of 5.276% until maturity on September 13, 2054, payable in semi-annual instalments, commencing on March 14, 2024. - The net proceeds received were used to partially fund the DLG acquisition. Refer to Note 5 – Business combinations and disposals for more details.
Term loans	- On February 27, 2023, the Company entered into a 12-month agreement to issue a term loan in two tranches, one being denominated in GBP for an amount of \$164 million (£100 million) (the “GBP tranche”) and the other in CAD for an amount of \$130 million (the “CAD tranche”) (together the “Term loans”). The proceeds were used for the purpose of partially funding the UK pension plans buy-in transaction. Refer to Note 29.6 – Additional information on UK DB pension plans for more details. - The GBP tranche and the CAD tranche bore interest at a rate of SONIA plus 80 basis points (“bps”) and CDOR plus 55 bps, respectively. - The Company designated the GBP tranche as a net investment hedge of its UK foreign operations. - The CAD and GBP tranches were repaid in full using available cash as at December 31, 2023 and December 31, 2024, respectively. - On October 24, 2023, the Company entered into a 24-month term loan agreement for an amount of \$109 million (£65 million), bearing interest at a rate of SONIA + 70 bps (“the GBP loan”). The proceeds were used to partially fund the DLG acquisition. Refer to Note 5 – Business combinations and disposals for more details. The GBP loan was repaid in full on March 26, 2024 using available excess cash.

17.4 Other financing

Credit facility

The Company has an unsecured revolving term credit facility of \$1.8 billion, which matures on October 19, 2028. As at December 31, 2024, no balance was drawn under this credit facility (nil as at December 31, 2023).

Type:	At a rate of:
Prime loans	Prime rate plus a margin
Base rate (Canada) advances	Base rate (Canada) plus a margin
Bankers’ acceptances	Bankers’ acceptance rate plus a margin
SOFR advances	SOFR rate plus a margin

The Company’s credit facility agreement contains certain financial covenants which require the Company to maintain a minimum ratio for funded debt to consolidated capitalization and Equity attributable to shareholders at all times. As at December 31, 2024 and 2023, the Company was in compliance with these financial covenants.

Redemption of guaranteed subordinated GBP notes

On June 6, 2023, the Company redeemed \$67 million (£40 million) principal amount of the GBP notes ahead of the maturity date using its commercial paper and available cash and cash equivalents. The redemption price was \$65 million (£39 million), and the notes had a carrying value of \$72 million (£43 million). A gain on redemption of \$7 million (£4 million) was recognized in Other finance costs in Net income.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

17.5 Movement in debt outstanding

Table 17.2 – Movements in debt outstanding

Years ended December 31,	2024	2023
Balance, beginning of year	5,081	4,522
Cash flows from financing activities		
Proceeds from issuance of debt	298	799
Repayment of debt	(663)	(198)
Borrowing (repayment) on the credit facility and commercial paper, net	(105)	(32)
Other	12	(10)
Exchange rate differences	58	-
Balance, end of year	4,681	5,081

Note 18 – Share capital

18.1 Authorized

Authorized share capital consists of an unlimited number of common shares and preferred shares ("Class A Shares").

18.2 Issued and outstanding

Table 18.1 – Issued and outstanding shares

As at December 31,	2024		2023	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Common shares	178,363,968	8,126	178,320,868	8,099
Preferred shares - Class A shares				
Series 1	10,000,000	244	10,000,000	244
Series 3	10,000,000	245	10,000,000	245
Series 5	6,000,000	147	6,000,000	147
Series 6	6,000,000	147	6,000,000	147
Series 7	10,000,000	245	10,000,000	245
Series 9	6,000,000	147	6,000,000	147
Series 11	6,000,000	147	6,000,000	147
Total Class A	54,000,000	1,322	54,000,000	1,322
Other equity				
LRCN Series 1 Notes	n/a	297	n/a	297
Preferred shares and other equity		1,619		1,619
Share capital		9,745		9,718

Issued and outstanding Class A shares rank in priority to common shares with regards to payment of dividends.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Table 18.2 – Reconciliation of share capital

Years ended	Common shares		Preferred shares Class A shares		Other equity		Share capital
	Number of shares	Carrying amount	Number of shares	Carrying amount	Number of units	Carrying amount	Carrying amount
December 31, 2024							
Balance, beginning of year	178,320,868	8,099	54,000,000	1,322	n/a	297	9,718
Issuance of common shares ¹	84,021	19	-	-	n/a	-	19
Issuance of common shares on exercise of stock options ²	70,000	13	-	-	n/a	-	13
Repurchase of common shares for cancellation	(110,921)	(5)	-	-	n/a	-	(5)
Balance, end of year	178,363,968	8,126	54,000,000	1,322	n/a	297	9,745
December 31, 2023							
Balance, beginning of year	175,256,968	7,542	54,000,000	1,322	n/a	-	8,864
Issuance of common shares	3,065,900	557	-	-	n/a	-	557
Issuance of other equity	-	-	-	-	n/a	297	297
Repurchase of common shares for cancellation	(2,000)	-	-	-	n/a	-	-
Balance, end of year	178,320,868	8,099	54,000,000	1,322	n/a	297	9,718

¹ Common shares issued were related to a broker acquisition transaction.

² Refer to *Note 28.4 – Executive stock option plan* for more details.

18.3 Financing issued in 2023

Common shares	- On September 13, 2023, the Company issued 2,666,000 common shares at a price of \$187.60 per common share for gross proceeds of \$500 million pursuant to a bought deal public offering in Canada, and a private offering to qualified institutional buyers in the United States. - On that same date, the Company issued another 399,900 common shares for additional gross proceeds of \$75 million following the exercise, in full, of an over-allotment option. - Share issuance costs of \$24 million (\$18 million after tax) were accounted for as a reduction in common shares on the Consolidated balance sheets. \$500 million of net proceeds from the issuance of common shares were used to partially fund the purchase price of the DLG acquisition. Refer to <i>Note 5 – Business combinations and disposals</i> for more details. - The remaining \$51 million of the net proceeds were used for other general corporate purposes.
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Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Other equity

- On March 7, 2023, the Company issued \$300 million of Limited Recourse Capital Notes Series 1 ("LRCN Series 1 Notes") maturing on June 30, 2083. Holders of the LRCN Series 1 Notes are entitled to receive semi-annual payments at a rate of 7.338% per annum until June 30, 2028. Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.95%.
- In connection with the issuance of the Notes, the Company issued 300,000 Non-Cumulative Rate Reset Class A Shares, Series 12 (the "Series 12 Preferred Shares") which are held by a trustee of a newly formed trust (the "Limited Recourse Trust") and which are eliminated from the Company's consolidated financial statements.
- The net proceeds of \$297 million are presented as equity instruments under Preferred shares and other equity. Semi-annual payments are recorded as equity distributions, and, for tax purposes, are considered as interest.
- In case of non-payment of interest on or the principal or redemption price of the LRCN Series 1 Notes when due, the recourse of each holder of LRCN Series 1 Notes will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of Series 12 Preferred Shares except in limited circumstances.
- The net proceeds from the LRCN Series 1 Notes were used for the purpose of partially funding the execution of the UK pension plans buy-in transaction. Refer to **Note 29.6 – Additional information on UK DB pension plans** for more details.

18.4 Preferred share conversions and dividend rate reset

Series 7 Preferred Shares

On May 31, 2023, the Company announced that it did not intend to exercise its right to redeem the Company's Non-cumulative Rate Reset Class A Series 7 Preferred Shares (the "Series 7 Preferred Shares") on June 30, 2023. Holders of Series 7 Preferred shares could elect to convert all or any of their shares into Non-cumulative Floating Rate Class A Series 8 Preferred Shares (the "Series 8 Preferred Shares") on a one-for-one basis on June 30, 2023. There were less Series 7 Preferred Shares tendered for conversion than the minimum required for the ability to proceed with the conversion, in accordance with the terms of the Series 7 Preferred Shares. As a result, no conversion took place and the dividend rate was reset on June 30, 2023 to 6.012%, which will prevail from and including June 30, 2023 to but excluding June 30, 2028.

18.5 Dividends declared and paid per share

Table 18.3 – Dividends declared and paid per share (in dollars)

Years ended December 31,	2024	2023
Common shares	4.84	4.40
Preferred shares		
Series 1	1.21	1.21
Series 3	0.86	0.86
Series 5	1.30	1.30
Series 6	1.33	1.33
Series 7	1.50	1.36
Series 9	1.35	1.35
Series 11	1.31	1.31

Subsequent to year end, on February 11, 2025, the Board of Directors approved the increase of the Company's quarterly dividend by \$0.12 to \$1.33 per common share. On the same day, the Board of Directors approved the quarterly dividend for common and preferred shares for the first quarter of 2025.

The payment of dividends on common shares is subject to the discretion of the Board of Directors of the Company.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

The holders of record of the Company's preferred shares are entitled to receive non-cumulative preferential cash dividends on a quarterly basis, as and when declared by the Board of Directors of the Company.

- **Series 1 Preferred Shares** – The annual dividend rate for the five-year period from and including December 31, 2022 to December 30, 2027 is 4.841%, subject to a rate reset every five years at a rate equal to the five-year Government of Canada bond yield plus 1.72%. The next dividend rate reset will occur on December 31, 2027.
- **Series 3 Preferred Shares** – The annual dividend rate for the five-year period from and including September 30, 2021 to but excluding September 30, 2026 is 3.457%.
- **Series 5 Preferred Shares** – The annual dividend rate is 5.20% and is not subject to a rate reset.
- **Series 6 Preferred Shares** – The annual dividend rate is 5.30% and is not subject to a rate reset.
- **Series 7 Preferred Shares** – The annual dividend rate for the five-year period from and including June 30, 2023 to but excluding June 30, 2028 is 6.012% (4.90% from June 30, 2018 to June 29, 2023). The dividend rate will be reset at this time and every five years thereafter.
- **Series 9 Preferred Shares** – The annual dividend rate is 5.40% and is not subject to a rate reset.
- **Series 11 Preferred Shares** – The annual dividend rate is 5.25% and is not subject to a rate reset.

18.6 Normal course issuer bid

On February 17, 2024, the Company renewed its NCIB to repurchase, for cancellation, up to 5,349,626 common shares during the next twelve months, representing approximately 3% of its issued and outstanding common shares. The actual number of common shares purchased for cancellation and the timing of any such purchases will be determined by the Company.

The Company has entered into an automatic share purchase plan ("ASPP") with a designated broker to repurchase its common shares during the NCIB. The ASPP allows for purchases of shares during pre-determined black-out periods, subject to certain parameters. Outside of these black-out periods, shares will be purchased at management's discretion. The price for any shares will be the market price at the time of acquisition or such other price as may be permitted by the TSX.

Subsequent to year end, on February 11, 2025, the Board authorized, subject to TSX approval, the renewal of the NCIB for the repurchase of up to 3% of the Company's issued and outstanding common shares over the subsequent 12-month period, commencing February 17, 2025.

The following table presents the summary of the common shares repurchased for cancellation under the NCIB.

Table 18.4 – Summary of the common shares repurchased and cancelled under the NCIB

Years ended December 31,	2024	2023
Common shares repurchased for cancellation (in shares)	110,921	2,000
Average price (in dollars)	220.04	193.33
Total consideration paid	24	-

The cost paid, including fees, was first charged to Share capital to the extent of the average carrying amount of the common shares purchased for cancellation. The excess of the cost paid over the average price of shares, amounting to \$19 million and nil, was charged to Retained earnings as at December 31, 2024 and 2023, respectively.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 19 – Non-controlling interests

Table 19.1 – Non-controlling interests recognized in the consolidated balance sheet

As at December 31,	2024	2023
Preferred shares issued by RSA	-	285

Preferred shares

The Company assumed preferred shares issued by RSA which had a nominal value of £1 each, were not redeemable, had preferential rights over the holders of RSA's ordinary shares in respects of dividends and were entitled to a cumulative preferential dividend of 7.375% per annum in semi-annual installments subject to approval by the Board of Directors. As at December 31, 2023, shares issued to and fully paid by preferred shareholders were 125,000,000.

Upon closing of the RSA acquisition in 2021, preferred shares were remeasured at fair value of \$285 million (£166 million) using a quoted market price.

On June 12, 2024, RSA's Preference Shareholders were invited to tender their preferred shares. This transaction was part of the Company's on-going process of optimizing its capital structure, as these perpetual instruments would have lost their regulatory capital eligibility in 2026 and would no longer have satisfied the purpose for which they were originally issued.

Following the shareholders' approval on July 16, 2024, all 125,000,000 preferred shares issued by RSA were cancelled at an offer price of £1.22 per preferred share plus voting and transaction fees for total cash consideration of \$279 million (£158 million). In addition, \$5 million (£3 million) of dividends related to this transaction were accrued and paid to the preferred shareholders during the year ended December 31, 2024. The transaction was funded through the Company's commercial paper program and excess cash.

As a result, the Company derecognized the NCI's carrying amount of \$285 million and recorded a gain of \$6 million in Retained earnings. Following this transaction, the Company no longer has any NCI.

Note 20 – Accumulated other comprehensive income (loss)

Table 20.1 – Components of AOCI

As at December 31,	2024	2023
FVTOCI debt securities	(253)	(338)
Translation of foreign operations, net of hedges	436	17
	183	(321)

Note 21 – Capital management

21.1 Capital management objectives

Capital management is a vital part of the financial management of the Company and is aligned with its strategy and business plan. Capital is managed on a group basis as well as individually for each operating subsidiary.

The Company's objectives when managing capital consist of:

- maximizing long-term shareholder value by optimizing capital used to operate and grow the Company; and
- maintaining strong regulatory capital levels, to ensure policyholders are well protected and the probability of breaching regulatory minimum requirements is very low.

The Company seeks to maintain adequate capital levels to ensure the probability of breaching the regulatory minimum requirements is very low. Such levels may vary over time depending on the Company's evaluation of risks and their potential impact on capital. The Company also keeps higher levels of capital margin when it foresees growth or actionable opportunities in the near term. Furthermore, the Company may return capital to shareholders through annual dividend increases and, when appropriate, through share buybacks.

Any deployment of capital is executed within the context of the stated capital management objectives and only after careful consideration of the impact on the Company's risk metrics.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

21.2 Group capital position

Capital management at a group level focuses on optimizing overall capital within the various subsidiaries and ensuring there are sufficient liquid resources to support regulatory capital requirements, debt obligations, the payment of shareholder dividends, acquisitions and other business purposes.

The capital strength of the group is measured by the Total Capital Margin. Total Capital Margin includes capital in excess of the internal CALs for insurance entities in Canadian, US, UK and other internationally regulated jurisdictions and the funds held in non-regulated entities less any ancillary own funds committed by the Company. CALs represent the thresholds below which regulator notification is required together with a company action plan to restore capital levels. These thresholds are reviewed annually as part of risk management practices.

21.3 Regulatory capital

The amount of capital in any particular company or country depends upon the Company's internal assessment of capital adequacy in the context of its risk profile and strategic plans, as well as local regulatory requirements. The Company's objective is to maintain the capitalization of its regulated operating subsidiaries above the relevant minimum regulatory capital requirements in the jurisdictions in which they operate (referred to as regulator supervisory minimum levels).

Regulatory capital guidelines change from time to time and may impact the Company's capital levels. The Company carefully monitors all changes, actual or proposed.

As at December 31, 2024 and 2023, each of the Company's regulated P&C insurance subsidiaries was in compliance with regulatory capital requirements.

Canada	- The Company's federally chartered Canadian P&C insurance subsidiaries are subject to the regulatory capital requirements defined by OSFI and the <i>Insurance Companies Act</i>, while its Québec provincially chartered subsidiaries are subject to the requirements of the AMF and the <i>Insurers Act</i>. - Federal and Québec regulated P&C insurers are required, at a minimum, to maintain a MCT ratio of 100%. - OSFI and the AMF have also established a regulator supervisory target capital ratio of 150%, which provides a cushion above the minimum requirement.
UK&I	- RSA's UK&I operations are subject to regulation and supervision by the Prudential Regulation Authority ("PRA"), as well as other regulators at a subsidiary level. - UK&I operations use an internal model compliant with the Solvency II regime enacted in the UK and approved by the PRA to calculate the SCR. - The coverage ratio represents total Eligible Own Funds over the SCR as determined by the internal model.
US	- The Company's US insurance operations are subject to regulation and supervision in each of the states where they are domiciled and licensed to conduct business. - State insurance departments have established the insurer solvency laws and regulatory infrastructure to maintain accredited status with the National Association of Insurance Commissioners ("NAIC"). - A key solvency driven NAIC accreditation requirement is a state's adoption of RBC requirements.

Annually, the Company performs Capital Adequacy Testing to ensure that the Company has sufficient capital to withstand significant adverse event scenarios. These scenarios are reviewed each year to ensure appropriate risks are included in the testing process. In addition, the target, actual and forecasted capital position of the Company is subject to ongoing monitoring by management using stress and scenario analysis to ensure its adequacy.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 22 – Net investment return and net insurance financial result

Table 22.1 – Net investment return and net insurance financial result

Years ended December 31,	2024	2023
Net investment income	1,559	1,346
Net gains (losses) on investment portfolio	148	249
Net investment return	1,707	1,595
Net insurance financial result	(899)	(894)
Net investment return and net insurance financial result	808	701

Table 22.2 – Net investment income

Years ended December 31,	2024	2023
Interest income calculated using the effective interest method:		
Debt securities classified as FVTOCI	637	493
Loans and cash and cash equivalents	108	107
Interest and similar income on securities classified or designated as FVTPL	510	438
Interest income	1,255	1,038
Dividend income (expense) from:		
Common shares, net		
Classified as FVTPL	229	242
Preferred shares, net		
Designated as FVTOCI	65	63
Classified as FVTPL	29	22
Dividend income	323	327
Investment property rental income	31	23
Investment income	1,609	1,388
Investment expense	(50)	(42)
	1,559	1,346

Table 22.3 – Net gains (losses) on investment portfolio

Years ended December 31,	2024			2023		
Portfolios	Debt securities	Equity and property	Total	Debt securities	Equity and property	Total
Financial instruments:						
Classified as FVTOCI and amortized cost	(20)	-	(20)	(18)	-	(18)
Designated as FVTPL	35	-	35	313	-	313
Classified as FVTPL	10	584	594	13	112	125
	25	584	609	308	112	420
Derivatives ¹ :						
Swap agreements	28	(191)	(163)	-	(19)	(19)
Forwards and futures	(21)	(118)	(139)	19	(57)	(38)
	7	(309)	(302)	19	(76)	(57)
Investment property	-	5	5	-	(14)	(14)
Net foreign currency gains (losses)	(161)	-	(161)	(96)	-	(96)
ECL expense	(3)	-	(3)	(4)	-	(4)
	(132)	280	148	227	22	249

¹ Excluding foreign currency contracts, which are recognized in Net foreign currency gains (losses) on investments.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Table 22.4 – Net insurance financial result

Years ended December 31,	2024	2023
Change in the carrying amount of insurance contracts due to:		
Unwind of discount	(1,026)	(1,036)
Changes in discount rates and other financial assumptions	(209)	(179)
Net foreign currency gains (losses)	152	124
Insurance finance income (expense)	(1,083)	(1,091)
Change in the carrying amount of reinsurance contracts due to:		
Unwind of discount	183	204
Changes in discount rates and other financial assumptions	13	23
Net foreign currency gains (losses)	(12)	(30)
Reinsurance finance income (expense)	184	197
	(899)	(894)

22.1 Material accounting judgments, estimates and assumptions

The ECL impairment model applies only to financial assets classified as amortized cost and debt securities classified as FVTOCI and is forward looking. Refer to **Note 3.4 g) – Impairment of financial assets other than those classified or designated as FVTPL** for more details.

Note 23 – Other net gains (losses) and other income and expense

Table 23.1 – Components of other net gains (losses)

Years ended December 31,	2024	2023
Gain on sale of business ¹	138	-
Currency derivative hedges related to acquisitions (Note 7.3)		
Purchase price	-	(20)
Net investment	-	6
Other net foreign currency gains (losses)	33	(8)
Other ^{2, 3}	132	72
	303	50

¹ Related to the sale of the UK direct Home and Pet operations completed on March 31, 2024. Refer to **Note 5 – Business combinations and disposals**.

² Includes gains related to broker transactions recognized in 2024 of \$68 million and of \$25 million consisting of the acquisition of control and the disposal of investments in associates and joint ventures, respectively.

³ Mainly includes realized gains recognized in 2023 on broker transactions.

Table 23.2 – Other income and expense

Years ended December 31,	2024	2023
Other income (Table 30.2)	714	663
Other expense (Table 24.1)	(1,593)	(1,290)
Other income and expense	(879)	(627)

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 24 – Expense by nature

Table 24.1 – Expense by nature

	Amortization of insurance acquisition cash flows	Other insurance service expense	Other expenses	Total
Year ended December 31, 2024				
Claims and adjustment expenses	-	15,198	-	15,198
Risk adjustment	-	3	-	3
Losses and reversals on onerous contracts ¹	-	(131)	-	(131)
Commissions	2,971	269	-	3,240
Premium taxes and levies	580	105	-	685
Allocated indirect expenses ²	1,889	1,534	552	3,975
Amortization of acquired intangible assets ³	-	-	285	285
Administrative and other expenses	-	-	756	756
	5,440	16,978	1,593	24,011
Represented by:				
Insurance service expense (<i>Table 10.3</i>)	5,440	16,978	-	22,418
Other expense (<i>Table 23.2</i>)	-	-	1,593	1,593
	5,440	16,978	1,593	24,011

	Amortization of insurance acquisition cash flows	Other insurance service expense	Other expenses	Total
Year ended December 31, 2023				
Claims and adjustment expenses	-	15,437	-	15,437
Risk adjustment	-	49	-	49
Losses and reversals on onerous contracts ¹	-	133	-	133
Commissions	2,857	256	-	3,113
Premium taxes and levies	545	97	-	642
Allocated indirect expenses ²	1,766	1,444	415	3,625
Amortization of acquired intangible assets ³	-	-	249	249
Administrative and other expenses	-	-	626	626
	5,168	17,416	1,290	23,874
Represented by:				
Insurance service expense (<i>Table 10.3</i>)	5,168	17,416	-	22,584
Other expense (<i>Table 23.2</i>)	-	-	1,290	1,290
	5,168	17,416	1,290	23,874

¹ Includes the initial recognition of losses on onerous contracts, any subsequent reversals, and the amortization of the loss component. Mainly related to acquired claims from the RSA acquisition which amounted to \$(125) million for the year-ended December 31, 2024 (\$216 million – December 31, 2023). The remaining amount is mainly due to certain groups of insurance contracts in the UK&I.

² Mainly includes salaries, rent and technology costs.

³ Includes the amortization of acquired distribution networks, customer relationships and trade names.

Note 25 – Acquisition, integration and restructuring costs

25.1 Acquisition, integration and restructuring costs

Acquisition costs include professional fees related to the closing of acquisitions. Integration costs include restructuring costs related to an acquisition such as severances, retention bonuses and system integration, the initial net impact of a reinsurance coverage for the purpose of an acquisition as well as changes in the fair value of the contingent considerations. Restructuring and other costs include restructuring costs not related to an acquisition, including impairment expenses, and expenses related to the implementation of significant new accounting standards.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Table 25.1 – Acquisition, integration and restructuring costs

Years ended December 31,	2024	2023
Acquisition costs	-	24
Integration costs	230	231
Restructuring and other costs	177	248
	407	503

Note 26 – Income taxes

26.1 Income tax expense recognized in Net income

Table 26.1 – Components of income tax expense recognized in Net income

Years ended December 31,	2024	2023
Current income tax expense (benefit)		
Current year	678	529
Adjustments to prior years	(16)	17
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	(114)	(60)
Adjustments to prior years	20	(13)
	568	473

26.2 Effective income tax rate

The effective income tax rates are different from the combined Canadian federal and provincial statutory income tax rates. The Consolidated statements of income contain items that are non-taxable or non-deductible for income tax purposes, which cause the income tax expense to differ from what it would have been if based on statutory tax rates.

The following table presents the reconciliation of the effective income tax rate to the income tax expense calculated at statutory tax rates.

Table 26.2 – Effective income tax rate reconciliation

Years ended December 31,	2024	2023
Statutory tax rates	25.9%	25.9%
Increase (decrease) in income tax rates resulting from:		
Non-deductible losses (non-taxable gains)	(0.8)%	(0.5)%
Non-taxable investment income	(3.0)%	(4.8)%
Non-deductible losses (non-taxable income) from subsidiaries and associates	(0.8)%	(1.5)%
Change in unrecognized deferred income taxes	(2.5)%	2.8%
Higher (lower) effective rates on income subject to taxation in foreign jurisdictions	(1.5)%	3.0%
Non-deductible expenses	0.5%	0.5%
Other	1.9%	0.8%
Effective income tax rate	19.7%	26.2%

The effective income tax rate reconciliation may be impacted by a mix of losses and earnings taxed at different statutory rates. The insurance service results are tax affected at the full statutory rate while investment income is taxed at a lower rate.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

26.3 Components of deferred tax assets and liabilities

Table 26.3 – Components of deferred tax assets and liabilities

As at December 31,	Balance sheet Asset (liability)		Comprehensive income Expense (benefit)	
	2024	2023	2024	2023
Investments	97	118	29	76
Property and equipment	33	22	(4)	31
Intangible assets	(896)	(873)	(20)	(50)
Other assets	8	-	(7)	(3)
Losses available for carry forward	329	317	1	(111)
Financing costs	14	29	16	16
Insurance and reinsurance contracts	64	5	(60)	(148)
Accrued liabilities	396	335	(27)	137
DB pension plans	108	159	59	(175)
Other liabilities	(2)	(27)	(26)	20
Net deferred tax asset (liability) / expense (benefit)	151	85	(39)	(207)

The Company believes that it is probable that it will generate sufficient taxable income in the future to realize the above deferred tax assets.

The Company recognizes a deferred tax liability on all temporary differences associated with investments in subsidiaries, associates, and joint ventures unless it can control the timing of the reversal of these differences, and it is probable that these differences will not reverse in the foreseeable future. As at December 31, 2024 and 2023, no deferred tax liability has been recognized on the temporary differences of \$1,224 million (\$811 million as at December 31, 2023) associated with investments in subsidiaries and associates.

26.4 Movement in the net deferred tax asset (liability)

Table 26.4 – Movement in the net deferred tax asset (liability)

Years ended December 31,	2024	2023
Balance, beginning of year	85	(83)
Business combinations and other acquisitions	(25)	(72)
Income tax benefit (expense):		
Recognized in net income	94	73
Recognized in OCI	(55)	134
Recognized in equity	24	21
Exchange rate differences and other	28	12
Net deferred tax asset (liability), end of year	151	85
Recognized in:		
Deferred tax assets	744	811
Deferred tax liabilities	(593)	(726)
Net deferred tax asset (liability), end of year	151	85

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

26.5 Unused tax losses, tax credits and other tax attributes

The following table presents a summary of unused tax losses and credits, as well as the amount for which a deferred tax asset was recognized on the Consolidated Balance sheets as at December 31, 2024 and 2023.

Table 26.5 – Unused tax losses and tax credits

As at December 31,	2024			2023		
	Total	Recognized	Expiry date	Total	Recognized	Expiry date
Unused net operating losses:						
US	115	115	2033-2036	131	131	2024-2036
Canada	663	659	2036-2044	693	684	2038-2043
UK	3,559	283	No expiry date	3,160	221	No expiry date
Ireland	530	200	No expiry date	539	179	No expiry date
Other jurisdictions ¹	136	19	Various	135	29	Various
Unused tax credits:						
US	30	30	2030-2036	27	27	2030-2036
Canada	9	-	2042-2044	9	-	2038-2042
Unused allowable capital losses:						
Canada	11	10	No expiry date	-	-	No expiry date
Ireland	-	-	No expiry date	1	-	No expiry date
UK	2,311	-	No expiry date	2,151	-	No expiry date

¹ Includes \$37 million of losses that expire between 2038 and 2041 as at December 31, 2024 (\$24 million that expire between 2038 and 2040 as at December 31, 2023). The remaining balances have no expiry date.

Unused tax credits can be used to offset US tax payable in the future. Unused allowable capital losses in Canada can be used to reduce future taxable capital gains. Unused capital losses in Canada, UK and Ireland have not been recognized as it is not considered probable that they will be utilized in the future.

In addition to tax losses and tax credits not recognized, the Company had deductible temporary differences of \$742 million as at December 31, 2024 (\$949 million as at December 31, 2023), for which no deferred tax asset was recognized on the Consolidated Balance Sheet. These deductible temporary differences are predominantly located in the UK.

Deferred tax assets in respect of losses, deductible temporary differences and tax credits have been recognized on the basis that management consider it probable that future taxable profits will be available against which deferred tax assets can be utilized. The utilization of deferred tax assets will depend on whether it is possible to generate sufficient taxable income based on future profit projections in the respective tax type and jurisdiction. Management also considers tax planning opportunities that will create future taxable income against which the unused losses, deductible temporary differences and tax credits can be utilized.

26.6 Material accounting judgments, estimates and assumptions

Management exercises judgment in estimating the provision for income taxes. The Company is subject to income tax law in various 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 of tax laws differ from those of tax authorities or that the timing of realization of deferred tax assets is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

26.7 Dividend received deduction

During the fiscal years 2022, 2021 and 2020, the Company was reassessed by the Canada Revenue Agency, Revenu Québec and the Alberta Tax and Revenue Administration for additional income tax and interest with respect to the 2013-2016 taxation years. The total amount of additional income taxes and interest owed (including provincial tax and interest) is approximately \$41 million for the 2013-2016 taxation years combined.

All reassessments received to date have been paid in full and accordingly, no additional interest should be owing in the event of an unfavourable outcome.

These tax authorities are denying certain dividend deductions on the basis that they were part of a "dividend rental arrangement". The Company is confident that its tax filing position was appropriate and intends to defend itself vigorously. As a result, no amounts have been accrued in the Consolidated financial statements.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

26.8 Tax legislative changes

Pillar two

In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules*, which amended IAS 12 – *Income Taxes* (“IAS 12”), for fiscal years beginning as of December 31, 2023. The amendments, which the Company has applied, include a mandatory temporary exception from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This exception will allow entities time to assess the implications of the new rules and to avoid diverse interpretations of IAS 12 which could result in inconsistent applications until the IASB can complete further work.

The Company has prepared its financial statements to consider enacted and substantively enacted Pillar Two legislation, with an effective date of January 1, 2024, in jurisdictions in which it operates. There was no material impact on the Consolidated financial statements for the year ended December 31, 2024.

Canadian Federal Tax Measures

In June 2024, the Government of Canada enacted certain tax measures, including the proposal to deny financial institutions a deduction on dividends received after December 31, 2023, on certain types of shares of Canadian corporations. The enacted measures that impact the Company have been applied in the consolidated financial statements. There was no material impact for the year ended December 31, 2024.

Note 27 – Earnings per share

Basic EPS was calculated by dividing the Net income attributable to common shareholders of the Company by the weighted-average number of common shares outstanding during the year. Diluted EPS considered the effect of stock options.

Table 27.1 – Earnings per share

Years ended December 31,	2024	2023
Net income attributable to shareholders	2,297	1,316
Less: dividends declared on preferred shares and other equity distribution, net of tax	(90)	(84)
Net income attributable to common shareholders	2,207	1,232
Weighted-average number of common shares outstanding (in millions)	178.3	176.2
Net effect of stock options	0.3	-
Weighted-average diluted number of common shares outstanding (in millions)	178.6	176.2
EPS (in dollars)		
Basic	12.37	6.99
Diluted	12.36	6.99

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 28 – Share-based payment plans

28.1 Long Term incentive plan

a) Outstanding LTIP units and fair value at grant date

Table 28.1 – Outstanding units and weighted-average fair value at grant date by performance cycle

As at December 31,	2024			2023		
	Number of units	Weighted-average fair value at grant date (in \$)	Amount (in millions of \$)	Number of units	Weighted-average fair value at grant date (in \$)	Amount (in millions of \$)
Performance cycles						
2021 – 2023	-	-	-	680,077	149.17	102
2022 – 2024	612,892	165.01	101	606,376	165.01	100
2023 – 2025	383,186	198.74	76	364,315	198.74	72
2024 – 2026	459,145	202.40	93	-	-	-
	1,455,223	185.69	270	1,650,768	166.05	274

b) Movements in LTIP units

Table 28.2 – Movements in LTIP share units

Years ended December 31,	2024 (in units)	2023 (in units)
Outstanding, beginning of year	1,650,768	1,733,703
Awarded	385,491	389,684
Net change in estimate of units outstanding	121,011	132,910
Units settled	(702,047)	(605,529)
Outstanding, end of year	1,455,223	1,650,768

c) LTIP expense recognized in Net income

The LTIP is accounted for as an equity-settled plan, except for the participants that are eligible to receive cash in lieu of shares of the Company (accounted for as a cash-settled plan).

Table 28.3 – LTIP expense recognized in Net income

Years ended December 31,	2024	2023
Cash-settled plans	31	19
Equity-settled plans	74	75
	105	94

28.2 Employee share purchase plan

a) Movements in restricted common shares

Table 28.4 – Movements in restricted common shares

Years ended December 31,	2024 (in units)	2023 (in units)
Outstanding, beginning of year	122,703	114,637
Accrued	118,054	124,318
Awarded and vested	(122,803)	(113,648)
Forfeited	(1,768)	(2,604)
Outstanding, end of year	116,186	122,703

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

b) ESPP expense recognized in Net income

The ESPP is accounted for as an equity-settled plan. For the year ended December 31, 2024, the ESPP expense was \$25 million (\$22 million – December 31, 2023).

28.3 Deferred share unit plan

The DSU plan is accounted for as a cash-settled plan. For the year ended December 31, 2024, the expense was \$12 million (\$3 million – December 31, 2023). The DSU provision amounted to \$32 million as at December 31, 2024 (\$29 million as at December 31, 2023).

28.4 Executive stock option plan

Table 28.5 – Outstanding stock options by grant date

As at December 31,			2024	2023
Grant date	Exercise price (in \$)	Maturity date	Stock options (in units)	Stock options (in units)
June 1, 2021	161.67	June 1, 2031	760,166	830,166
February 15, 2024	223.46	February 15, 2034	120,000	-
			880,166	830,166

As at December 31, 2024, 1,783,208 common shares (1,430,181 as at December 31, 2023) were reserved for issuance under the ESOP.

On February 13, 2024, the Board of Directors approved a grant of 120,000 stock options. The grant date fair value of \$46.16 was calculated using the Black-Scholes stock option valuation methodology with a dividend yield of 2.27%, an expected share price volatility of 18.44%, a risk-free interest rate of 3.54%, and an expected life of 8 years.

During the year ended December 31, 2024, 70,000 stock options were exercised for cash consideration of \$11 million and the Company derecognized the fair value of these options of \$2 million from Contributed surplus resulting in the issuance of common shares totalling \$13 million.

The ESOP is accounted for as an equity-settled plan. For the year ended December 31, 2024, the ESOP expense was \$5 million (\$4 million – December 31, 2023).

28.5 Common shares repurchased for share-based payment plans

The Company's equity-settled plans were settled through the plan administrator purchasing common shares on the market and remitting them to the participants. The cumulative cost of these units was removed from Contributed surplus.

The difference between the market price of the shares and the cumulative cost for the Company of these vested units, net of income taxes, was recognized in Retained earnings.

Table 28.6 – Settlement in shares

Years ended December 31,	2024	2023
Value of common shares repurchased for share-based payments	180	128
Less: cumulative cost of the units for the Company	113	88
Excess of market price over the cumulative cost for the Company	67	40
Amount recognized in Retained earnings, net of taxes	56	31

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 29 – Employee future benefits

29.1 Overview of employee future benefits

The Company provides various post-employment plans, including DB and defined contribution pension plans as well as other benefit plans for its employees as described below. In the US, the Company offers a 401(k) plan to its employees.

a) Employee future benefits in the UK

DB pension plans

The plans were closed to new entrants in 2002 and subsequently closed to future accruals in 2017.

Accrued benefits are revalued up to retirement in accordance with government indices for inflation. After retirement, pensions in payment are increased each year based on the increases in the government indices for inflation, subject to maximum caps.

The plans are managed through trusts with independent trustees (“the Trustees”) responsible for safeguarding the interests of all members.

The plans in surplus are net a 25% tax expense of an authorized return of surplus as at December 31, 2024 (35% as at December 31, 2023). The Company does not believe the tax to be an income tax expense within the meaning of IAS 12; rather, it classifies it with “other net surplus remeasurements”.

On February 27, 2023, as part of its de-risking strategy, the Company entered into annuity buy-in insurance contracts (“buy-ins”) for its two major UK DB pension plans (the “UK buy-in transaction”). Refer to *Note 29.6 – Additional information on UK DB pension plans*.

b) Employee future benefits in Canada

DB pension plans

The Company has funded and unfunded DB pension plans that provide benefits to members in the form of a pension payable for life based on final average earnings and contingent upon certain age and service requirements. The Company provides active employees a choice between a DB and a defined contribution pension plan.

Subject to applicable pension legislation, the plans are administered either by the Company or by a pension committee that has delegated certain of its responsibilities to the Company, with assets held in a pension fund that is legally separated from the Company. The assets cannot be used for any purpose other than payment of pension benefits and related administrative fees.

Provincial minimum funding regulations require special payments from the Company to amortize any shortfall of registered plans’ assets relative to the corresponding funding targets. Security in the form of letters of credit is permitted in lieu of those special payments, up to a limit of 15% of the actuarial liability used to determine the funding target.

Subject to applicable legal requirements, any balance of assets remaining after providing for the accrued benefits of the plan members may be returned to the Company upon termination of the plan. Pension legislation in certain provinces may require that the Company submit a proposal to the members and beneficiaries regarding the allocation of surplus assets. However, on an ongoing basis, a portion of such surplus may be recoverable by the Company through a reduction in future contributions or through payment of eligible administrative expenses.

As part of its de-risking strategy, the Company entered into buy-ins for its Canadian DB pension plans, some of which were converted into annuity buy-out insurance contracts (“buy-outs”) in 2024. Refer to *Note 29.7 – Additional information on Canadian DB pension plans*.

Other post-employment benefits and other post-retirement benefits

The Company also offers employer-paid post-retirement life insurance and health care benefit plans to a limited number of active employees and retirees as well as post-employment benefit plans that provide health and dental coverage to employees on disability for the duration of their leaves. These post-retirement and post-employment benefit plans are unfunded.

Notes to Consolidated Financial Statements

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29.2 Funded status

DB pension plans are recognized on the Consolidated balance sheet as an asset when plans are in a surplus position, or as a liability, when plans are in a deficit position. This classification is determined on a plan-by-plan basis.

Table 29.1 – DB pension plan assets (liabilities) by country

As at December 31,	2024			2023		
	UK&I	Canada ¹	Total	UK&I	Canada	Total
DB obligation ²	(8,912)	(2,391)	(11,303)	(9,327)	(3,272)	(12,599)
Annuity buy-in insurance contracts	8,747	276	9,023	9,188	1,035	10,223
Debt securities	122	1,555	1,677	124	1,545	1,669
Other plan assets	72	613	685	20	696	716
Fair value of plan assets	8,941	2,444	11,385	9,332	3,276	12,608
Other net surplus remeasurement ³	(4)	-	(4)	(3)	(5)	(8)
Net DB asset (liability)	25	53	78	2	(1)	1
Recognized in:						
Other assets – plans in a surplus position (<i>Table 16.1</i>)	45	251	296	40	189	229
Other liabilities – plans in a deficit position and unfunded plans (<i>Table 16.2</i>)	(20)	(198)	(218)	(38)	(190)	(228)
	25	53	78	2	(1)	1
Funded status – funded plans	100%	111%	104%	100%	106%	102%

¹ The Company derecognized buy-ins and a corresponding DB obligation of \$1,009 million related to the conversion of Canadian buy-ins into buy-outs during the year ended December 31, 2024. Refer to *Note 29.7 – Additional information on Canadian DB pension plans*.

² The weighted average duration of the DB obligation for the UK plans was 11.8 years and 18.0 years for the Canada plans at December 31, 2024 (13.1 years and 14.6 years, respectively, as at December 31, 2023).

³ Includes a 25% authorized surplus payments charge (35% as at December 31, 2023) related to certain UK DB pension plans as it does not fall within the meaning of IAS 12 and changes to the amount of the asset ceiling applicable to certain Canadian DB pension plans.

Funding and contributions to DB pension plans

The Company makes contributions to the DB pension plans to secure the benefits, the amount and timing of which are determined in accordance with applicable pension and tax legislation following the advice of an actuary. The Company must contribute the excess of the total required funding over the members' contributions. Under the provisions of the pension plans in Canada, members' contribution rates vary according to their choice of benefit accrual rate, which they may change annually.

Required contributions by the Company will vary depending on the number of active members accruing benefits and their level of pensionable earnings, the results of any new actuarial valuations, the impact of any funding rule changes and decisions taken by the Company to use or not use surplus or letters of credit or to take contribution holiday as permitted by legislation. The Company is also expected to meet the cost of eligible administrative expenses through the pension funds.

a) UK DB pension plans

The funding valuations of the UK plans, which determine the level of cash contributions payable into the plans and which must be agreed between the Trustees and the Company, are typically based on a prudent assessment of future experience with the discount rate reflecting a prudent expectation of returns based on actual investment strategy. This differs from IAS 19, which requires that future benefit cash flows are projected on the basis of best-estimate assumptions and discounted in line with high-quality corporate bond yields. The Trustees' funding assumptions are updated only every three years, in conjunction with the triennial funding valuations.

The triennial funding valuations are used to determine future funding, including funding to eliminate any funding deficit. Since the UK plans are closed to future accruals, contributions that are made are strictly with respect to past service deficiencies.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

The effective date of the most recent valuations of the main UK plans was March 31, 2021. At that date, the main UK plans had an aggregate funding deficit of \$227 million (£138 million), equivalent to a funding level of 98%. The Company and the Trustees agreed on funding plans to eliminate the funding deficits by 2025. In addition, the funding commitments that had been agreed in 2020 were reaffirmed, which included:

- Continuation of current funding arrangements of approximately \$123 million (£75 million) per year plus expenses and regulatory levies until the plans are fully funded on a previously agreed longer term funding basis; and
- Parental guarantees of the obligations by the Company.

As part of its funding arrangements in place prior to the UK buy-in transaction, the Company paid its last annual contribution of \$123 million (£75 million) plus expenses and regulatory levies during the year ended December 31, 2023. As it was agreed with the Trustees, the Company is not required to make any additional annual mandatory funding contribution but will continue to provide a parental guarantee of the obligations.

The Company was still required to make contributions to the main UK DB pension plans to meet outstanding deferred annuity premium obligations, as well as ongoing expenses and regulatory levies. During the year ended December 31, 2024, the Company contributed a total amount of \$140 million (£80 million) to the UK plans and, during the year ended December 31, 2023, a total of \$1,003 million (£610 million), which included the annual contribution and upfront contribution to PIC. Refer to **Note 29.6 – Additional information on UK DB pension plans** for more details.

The next funding valuation will be dated as at March 31, 2024 and is expected to be completed in the first half of 2025.

b) Canadian DB pension plans

Each plan is generally subject to triennial valuations, which are used to determine the future funding, including funding to eliminate any deficit. The effective date of the most recent valuations of the main plans was December 31, 2023. The next required funding valuation is as at December 31, 2026; however, the Company has the option to perform a new valuation at an earlier date. The Company's liquidity risk with regards to these pension plans is low, as they have a high proportion of quality liquid assets and sufficient inflows from contributions and buy-ins to cover a portion of the benefit payments. Indeed, a large portion of the invested assets is held in highly liquid federal and provincial government debt to protect against any unanticipated large cash requirements.

The Company had a contribution holiday in 2023 and 2024 for its Ontario and Quebec pension plans and, based on the latest projections of the financial position of the plans, the contribution holiday is expected to continue in 2025 for the Ontario plan. As a result, the Company does not expect to make cash contributions to the Ontario pension plan in 2025, while cash contributions of \$26 million will resume for the Quebec plan starting on January 1, 2025.

29.3 Movement in the DB obligation and fair value of plan assets

The DB obligation is based on the present value of expected benefit payment cash flows to plan members over their expected lifetime.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Table 29.2 – Movement in the DB obligation and fair value of plan assets

Year ended December 31, 2024	DB obligation	Fair value of plan assets	Other net surplus remeasurement	Net DB asset (liability)
Balance, beginning of year	(12,599)	12,608	(8)	1
Current service cost	(65)	-	-	(65)
Net interest revenue (expense)	(542)	541	-	(1)
Annuity buy-out insurance contracts ¹	1,046	(1,051)	-	(5)
Other	-	(26)	-	(26)
Total benefit (expense) recognized in Net income	439	(536)	-	(97)
Change in discount rate	1,182	-	-	1,182
Changes in other financial assumptions ²	(172)	-	-	(172)
Changes in plan experience	(115)	-	-	(115)
Changes in demographic assumptions	2	-	-	2
Actual return on plan assets	-	(816)	-	(816)
Annuity buy-in insurance contracts ^{3, 4}	-	(63)	-	(63)
Other net surplus remeasurements	-	-	4	4
Net actuarial gains (losses) recognized in OCI	897	(879)	4	22
Employee contributions	(51)	51	-	-
Employer contributions	-	151	-	151
Benefit payments	589	(589)	-	-
Exchange rate differences	(578)	579	-	1
Balance, end of year	(11,303)	11,385	(4)	78

¹ Mainly includes the derecognition of buy-ins and corresponding DB obligation of \$1,009 million related to the conversion of Canadian buy-ins into buy-outs. Refer to *Note 29.7 – Additional information on Canadian DB pension plans*.

² Changes in other financial assumptions are mainly related to inflation rate.

³ The Company purchased buy-ins in the amount of \$275 million on behalf of certain Canadian DB pension plans, as part of its de-risking strategy. Refer to *Note 29.7 – Additional information on Canadian DB pension plans*.

⁴ The Company terminated longevity swaps related to the UK DB pension plans resulting in a net actuarial loss of \$58 million (£33 million) in OCI. Refer to *Note 29.6 – Additional information on UK DB pension plans*.

Year ended December 31, 2023	DB obligation	Fair value of plan assets	Other net surplus remeasurement	Net DB asset (liability)
Balance, beginning of year	(11,837)	12,520	(188)	495
Current service cost	(49)	-	-	(49)
Net interest expense	(585)	657	-	72
Other	(1)	(23)	-	(24)
Total benefit (expense) recognized in Net income	(635)	634	-	(1)
Change in discount rate	(621)	-	-	(621)
Changes in other financial assumptions ¹	117	-	-	117
Changes in plan experience	(83)	-	-	(83)
Changes in demographic assumptions	173	-	-	173
Actual return on plan assets	-	115	-	115
Annuity buy-in insurance contracts ²	-	(1,404)	-	(1,404)
Other net surplus remeasurements	-	-	181	181
Net actuarial gains (losses) recognized in OCI	(414)	(1,289)	181	(1,522)
Employee contributions	(45)	45	-	-
Employer contributions	-	1,027	-	1,027
Benefit payments	617	(617)	-	-
Exchange rate differences	(285)	288	(1)	2
Balance, end of year	(12,599)	12,608	(8)	1

¹ Changes in other financial assumptions are mainly related to inflation rate.

² The UK buy-in transaction completed on February 27, 2023 resulted in a net impact of \$1,195 million (£727 million), composed of a remeasurement loss on plan assets of \$1,404 million (£854 million) included in buy-ins and the derecognition of a tax expense on surplus of \$209 million (£127 million) included in other net surplus remeasurements. Refer to *Note 29.6 – Additional information on UK DB pension plans* for more details.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

29.4 Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement, recognized in OCI

Table 29.3 – Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement, recognized in OCI

Years ended December 31,	2024	2023
Pension plans (<i>Table 29.2</i>)	22	(1,522)
Other post-retirement benefits	1	(4)
	23	(1,526)

29.5 Composition of pension plan assets

The pension plan assets were mainly composed of annuity buy-ins as at December 31, 2024 and 2023.

Table 29.4 – Composition of fair value of pension plan assets by quoted and unquoted

As at December 31, 2024	UK&I	Canada	Total	% of total	Total quoted	Total unquoted
Cash and cash equivalents	39	9	48	-%	39	9
Debt securities ¹						
Government	88	961	1,049	9%	1,049	-
Non-government	34	594	628	6%	548	80
Debt securities	122	1,555	1,677	15%	1,597	80
Annuity buy-in insurance contracts	8,747	276	9,023	79%	-	9,023
Common shares	28	865	893	8%	634	259
Derivative financial instruments	(6)	16	10	-%	-	10
Property	2	-	2	-%	2	-
Other	9	-	9	-%	-	9
Securities sold under repurchase agreements	-	(277)	(277)	(2)%	-	(277)
Total assets	8,941	2,444	11,385	100%	2,272	9,113

As at December 31, 2023	UK&I	Canada	Total	% of total	Total quoted	Total unquoted
Cash and cash equivalents	45	(1)	44	-%	45	(1)
Debt securities ¹						
Government	95	837	932	7%	932	-
Non-government	29	708	737	6%	600	137
Debt securities	124	1,545	1,669	13%	1,532	137
Annuity buy-in insurance contracts	9,188	1,035	10,223	81%	-	10,223
Common shares	25	857	882	7%	637	245
Derivative financial instruments	(7)	1	(6)	-%	-	(6)
Property	2	-	2	-%	2	-
Other	135	-	135	1%	-	135
Securities sold under repurchase agreements	-	(161)	(161)	(1)%	-	(161)
Total investments	9,512	3,276	12,788	101%	2,216	10,572
Deferred annuity premium ²	(180)	-	(180)	(1)%	-	(180)
Total assets	9,332	3,276	12,608	100%	2,216	10,392

¹ The weighted average duration of debt securities was 17.5 years as at December 31, 2024 (15.8 years as at December 31, 2023).

² The Company repaid the remaining balance of deferred annuity premium during the year ended December 31, 2024.

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(in millions of Canadian dollars, except as otherwise noted)

29.6 Additional information on UK DB pension plans

Purchase of buy-ins in 2023

On February 27, 2023, the Company announced that the Trustees of its two major UK DB pension plans (the "UK plans") entered into an agreement with Pension Insurance Corporation plc ("PIC"), a specialist insurer of DB pension plans, to purchase buy-ins, as part of their de-risking strategy. The buy-ins transferred the remaining economic and demographic risks associated with the plans to PIC and removed volatility in the Company's consolidated balance sheet. The main risks retained by the Company are the counterparty risk to PIC as well as residual risk related to benefits provided by the plans, such as changes in legal interpretation.

At the transaction date, the UK plans transferred the majority of their assets and an upfront contribution of \$791 million (£481 million) to PIC. Of the total buy-in premium of \$10.4 billion (£6.3 billion), an amount of \$904 million (£550 million) was deferred. During the years ended December 31, 2024 and 2023, the plans fully repaid the deferred premium for an amount of \$184 million (£107 million) and \$759 million (£457 million), respectively, including accrued interests. The plans retained longevity swaps that were already in place. Refer to **Asset and longevity swaps** below for more details.

The UK buy-ins comprised various contracts which were considered in aggregate as one single contract because they form a structure designed to collectively match the exact amount and timing of all the benefits payable by the plans. The Company was not legally relieved of the primary responsibility for the obligation, and the benefit payments continue to be payable by the plans. The contracts provide the option to convert the buy-ins into buy-outs. While this course of action may be considered in the future, a separate decision would be required, and certain significant conditions would need to be met before it could be executed. Consequently, the transaction was considered a buy-in. As a result, an initial actuarial loss of \$1,195 million (£727 million) was recognized in OCI during the year ended December 31, 2023. The fair value of buy-ins subsequently fluctuates based on changes in the value of the associated DB obligation.

The UK buy-in transaction was funded through the issuance of short-term loans for an amount of \$294 million, issuing LRCN Series 1 Notes in an amount of \$300 million and excess capital held by the Company. Refer to **Note 17.3 – Financing issued in 2023** and **Note 18.3 – Financing issued in 2023**, respectively.

Asset and longevity swaps

In 2009, the UK DB pension plans had entered into an arrangement that provided coverage against longevity risk for 55% of the retirement obligations relating to pensions in payment from the UK plans at that time. The arrangement provided for reimbursement of the covered pension obligations in return for the contractual return receivable on a portfolio made up of quoted government debt which was offset by asset swaps and longevity swaps held by the pension funds. On the UK buy-in transaction date, the portfolio and asset swaps were novated to PIC and the longevity swaps remained in place as plan assets of the UK plans. In combination with the other buy-in insurance policies purchased from PIC, these longevity swaps were accounted for as qualifying insurance policies at the UK buy-in transaction date, based on the value of the associated DB obligation under IAS 19.

On November 11, 2024, the Company agreed to terminate the longevity swaps and, simultaneously, to adjust the buy-ins acquired in 2023 from PIC to receive replacement cover. This termination enhances the Company's strategic flexibility in managing its pension obligations. As a result, on the agreements' effective date of November 15, 2024, the Company recognized a net actuarial loss of \$58 million (£33 million) in OCI. The net actuarial loss reflects a combination of the termination fees due and differences in the latest views of life expectancy.

Other net surplus remeasurement

The net DB asset (liability) of the plans was presented net of a 35% tax expense of an authorized return of surplus, which was classified with Other net surplus remeasurements. Since the surplus of the related plans was derecognized through the UK buy-in transaction, the 35% tax provision of \$209 million (£127 million) was also derecognized through OCI during the year ended December 31, 2023.

29.7 Additional information on Canadian DB pension plans

Conversion of Canadian buy-ins in 2024

Effective March 1, 2024, the Company converted qualifying annuity buy-ins into buy-out annuities. As a result, during the year ended December 31, 2024, the Company derecognized the buy-in annuity assets and the corresponding DB obligation of \$1,009 million previously recognized on a net basis in Other liabilities. The impact on the Company's Net income and Other comprehensive income was nil as the fair value of the buy-in annuities fluctuated based on changes in the associated DB obligation.

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(in millions of Canadian dollars, except as otherwise noted)

Purchase of Canadian buy-ins in 2024

On October 16, 2024, the Company purchased qualifying buy-ins in the amount of \$275 million on behalf of certain Canadian DB pension plans, as part of its de-risking strategy. An actuarial loss of \$5 million as a result of this transaction was recognized in OCI during the year ended 2024. The fair value of annuity buy-in insurance contracts will fluctuate based on changes in the associated DB obligation.

29.8 Material accounting judgments, estimates and assumptions

The cost of the DB plans and the DB obligation are measured by the Company's independent actuaries using assumptions determined by management. The actuarial valuation involves making assumptions about discount rates, future salary increases, future inflation, the employees' age upon termination and retirement, mortality rates, future pension increases, disability incidence and health and dental care cost trends. If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years.

Due to its long-term nature, the DB obligation is highly sensitive to changes in some of the assumptions. Assumptions are reviewed at each reporting date.

a) Assumptions used and sensitivity analysis

Table 29.5 – Key weighted-average assumptions used in measuring the Company's pension plans

As at December 31,	2024		2023	
	UK&I	Canada	UK&I	Canada
To determine the DB obligation:				
Discount rate	5.46%	4.76%	4.54%	4.64%
Rate of increase in future compensation:				
First year	n/a	3.50%	n/a	3.25%
Long term	n/a	3.04%	n/a	2.85%
Rate of inflation (CPI)				
First year	2.63%	2.60%	2.45%	4.00%
Long term	2.63%	2.04%	2.45%	1.85%
Rate of inflation (RPI)	3.18%	n/a	3.05%	n/a
Rate of increase in pensions ¹	3.01%	n/a	2.91%	n/a
Years ended December 31,	2024		2023	
	UK&I	Canada	UK&I	Canada
To determine the benefit expense:				
Discount rate:				
Current service cost	n/a	4.63%	n/a	5.26%
Interest expense on the DB obligation	4.54%	4.63%	4.86%	5.22%
Rate of increase in future compensation:				
First year	n/a	3.25%	n/a	3.75%
Long-term	n/a	2.85%	n/a	3.32%
Rate of inflation (CPI)				
First year	2.45%	4.00%	2.46%	6.51%
Long-term	2.45%	1.85%	2.46%	2.32%
Rate of inflation (RPI)	3.05%	n/a	3.11%	n/a
Rate of increase in pensions ¹	2.91%	n/a	2.96%	n/a

¹ For the UK, the annual rate of increase in pensions shown is the rate that applies to pensions that increase at RPI subject to a cap of 5%.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

The following table presents the assumptions regarding future mortality. The current life expectancies underlying the DB obligation and benefit expenses in the DB plans are as follows.

Table 29.6 – Future mortality assumptions

As at December 31,	2024		2023	
	UK&I	Canada	UK&I	Canada
Life expectancy (in years) for pensioners at the age of 65:				
Male	22.0	22.9	22.1	22.8
Female	23.6	24.4	23.6	24.4

The core mortality rates assumed for the main UK plans are based on the latest industry-standard UK tables published in 2018 by the Continuous Mortality Investigation (“CMI”) (S3 series tables) with percentage adjustments to reflect the plans’ recent experience based on the latest study conducted in 2021. Reductions in future mortality rates are allowed for by using the CMI 2023 tables with a long-term improvement rate of 1.25%.

The rate of compensation increase for the Canadian DB plans was based on management expectation for the next year, and on inflation and long-term expectations of wage salary increase beyond the next year. Assumptions regarding life expectancy for participants in the Canadian DB plans are based on the standard Canadian private sector mortality table published in 2014 by the Canadian Institute of Actuaries (“CPM2014Priv table”), adjusted based on the results of a mortality experience study conducted in 2022.

The following table presents the sensitivity analysis of the main DB obligation to key assumptions.

Table 29.7 – Sensitivity of the DB obligation to key assumptions

As at December 31,	Change	2024		2023	
		UK&I	Canada	UK&I	Canada
Discount rate	+1%	(863)	(367)	(1,063)	(415)
Discount rate	-1%	1,175	501	1,310	555
Inflation-related assumption rate	+1%	718	143	789	174
Inflation-related assumption rate	-1%	(587)	(122)	(748)	(153)
Life expectancy	+ One year	315	44	288	71
Life expectancy	- One year	(202)	n/a	(290)	n/a

The effect on the DB obligation at the end of the year has been calculated by changing one assumption for the sensitivity but without changing any other assumptions. The impact of a one-year increase (decrease) in life expectancy has been approximated by measuring the impact of members being one year younger (older) than their actual age on the valuation date.

29.9 Risk management and investment strategy

DB pension plans expose the Company to balance sheet volatility resulting from changes in actuarial assumptions (such as longevity, interest rates, credit spreads and inflation). The ultimate cost depends on future events rather than on assumptions made. In general, the risk to the Company is that the assumptions underlying the disclosures, or the calculation of contribution requirements are not borne out in practice and the cost to the Company is higher than expected. This could result in higher contributions required from the Company and a higher deficit disclosed.

Factors that may vary significantly include:

- The actual return on plan assets;
- Decrease in asset values not being matched by a similar decrease in the value of the obligation; and
- Unanticipated future changes in mortality patterns leading to an increase in the DB obligation.

The DB obligation and the service cost are sensitive to the assumptions made about the discount rate, which is based on estimates of market yields of highly rated corporate bonds and also to salary growth levels, inflation and life expectancy.

With the purchase of buy-ins for UK and Canadian DB pension plans, the Company significantly reduced its exposure to balance sheet volatility, since the value of DB obligation and corresponding buy-ins change in the same proportion. As of December 31, 2024, 80% of the DB obligation was funded through buy-in annuities (81% as of December 31, 2023).

Notes to Consolidated Financial Statements

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a) UK DB pension plans

The UK plans are managed through trusts with the Trustees responsible for all oversight and the safeguarding of the interests of all members at all times. The Trustees work closely with the Company and meet regularly to discuss the funding position, investment strategy and any proposed changes to the plans. The plans are regulated by The Pensions Regulator in the UK.

The assets of the UK plans are held under trust, with control of these arrangements belonging to the Trustees. Investment strategy is set by the Trustees after consultation with the Company. Both the Company and the Trustees with the support of their investment advisers regularly review the performance of the plans' assets to ensure that they are performing in line with expectations.

The assets of the UK plans were mainly composed of buy-ins as at December 31, 2024 and 2023. Refer to **Note 29.6 – Additional information on UK DB pension plans** for more details.

b) Canadian DB pension plans

The Management Pension Committee is responsible for the oversight of the pension plans, including the review of the funding policy and investment performance. The Statement of Investment Policies and Procedures of the pension plans (the "SIP&P") formulates investment principles, guidelines and monitoring procedures to meet the funds' needs and objectives, in conformity with applicable rules. It also establishes principles and limits pertaining to debt and equity market risks. Any deviation from the SIP&P is reviewed by the Operational Investment Committee. The Risk Management Committee, which is a committee of the Company's Board of Directors, is responsible for the approval of the SIP&P and the review of the pension plans' investment performance.

The pension plans investment portfolio is managed by Intact Investment Management Inc., a subsidiary of the Company, in accordance with the SIP&P that focuses on asset diversification and asset-liability matching. The Company regularly monitors compliance with the SIP&P.

Asset diversification

The goal of asset diversification is to limit the potential of sustaining significant capital losses.

Debt securities in the pension plans are significantly exposed to changes in interest rates and movements in credit spreads. Investment policies seek a balanced target investment allocation between debt and equity securities, within credit concentration limits. The pension plans' risk management strategy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer by imposing limits based upon credit quality. The adopted SIP&P requires that the credit rating of debt securities must be at least 'BBB-' at purchase and limits its concentration in any one investee or related group of investees to 10% of the cost of its total assets (except for securities that are issued or guaranteed by the Government of Canada or by a province of Canada). The Company has overall limits on credit exposure that include debt and equity securities, as well as off-balance sheet exposure.

Sensitivity analysis is one risk management technique that assists management in ensuring that equity risks assumed remain within the pension plans' risk tolerance level. The Company's pension plans have a significant concentration of their investments in Canada as well as in the Government sector. This risk concentration is closely monitored.

As part of a de-risking strategy, buy-ins were acquired in 2021, 2022, and 2024 for Canadian DB pension plans. These contracts effectively removed all market and demographic risks associated with over 90% of the retiree liabilities at the time of purchase of the buy-ins in the Company's Canadian registered pension plans. The buy-ins purchased in 2021 and 2022 were subsequently converted to buy-outs in March 2024. Refer to **Note 29.7 – Additional information on Canadian DB pension plans**.

The Company also establishes asset allocation limits to ensure sufficient diversification (refer to **Note 9.4 – Credit risk**).

Asset-liability matching

One objective established in the SIP&P is to maintain an appropriate balance between the interest rate exposure of the plans' invested assets and the duration of its contractual liabilities. The Company calculates an interest rate hedge ratio as the interest rate duration of the pension asset portfolio divided by the duration of the funded registered pension plans' obligation, adjusted to reflect the relative size of each. A lower interest rate hedge ratio increases the Company's exposure to changes in interest rates. In performing this calculation, the obligation covered by buy-ins is considered to be fully hedged. The interest rate hedge ratio was 80% as at December 31, 2024 (78% as at December 31, 2023).

A portion of the pension plan liabilities contains an indexation provision linked to CPI. The Company invests in inflation sensitive assets to partially mitigate the risk of an unanticipated increase in inflation. As at December 31, 2024, 23% of the remaining pension plan assets excluding the annuities were invested in Government of Canada Real Return Bonds (23% as at December 31, 2023).

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The Company used repurchase agreements to partly fund the increase of debt securities in the pension plan asset mix with the objective to improve its asset-liability matching.

Note 30 – Segment information

30.1 Reportable segments

The Company has three reportable segments, in line with its management structure and internal financial reporting which is based on country and the nature of its activities as described below.

Canada

- Underwriting of automobile, home and business insurance contracts to individuals and businesses in Canada distributed through a wide network of brokers and directly to consumers.
- Distribution income includes the operating results from the Company's wholly owned subsidiary, BrokerLink Inc., broker associates, managing general agent platforms, and supply chain operations from On Side Developments LTD.

UK & International

- Underwriting of automobile, home, pet and business insurance contracts to businesses in the UK, Europe, and Ireland as well as internationally through the Company's global network. The Company distributes insurance through a wide network of affinity partners and brokers or directly to consumers.
- As the Company exited these businesses, the following were excluded from operating performance effective:
 - January 1, 2023, the underwriting results of the UK Personal Lines motor market; and
 - October 1, 2023, the underwriting results of the UK Home and Pet Personal Lines.
- Effective October 1, 2023, results from the DLG acquisition were included in this segment.

Refer to **Note 5 – Business combinations and disposals** for more details.

US

- Underwriting of specialty contracts mainly to medium-sized businesses in the United States. The Company distributes insurance through independent agencies, brokers, wholesalers and managing general agencies.
- Distribution income includes the operating results from the Company's wholly owned subsidiary, Strior Insurance Solutions, and managing general agent platforms.

Corporate and Other ("Corporate" or "Corp") consists of investment management, treasury and capital management activities, corporate reinsurance, including certain internal agreements as well as other corporate activities.

30.2 Segment operating performance

All segment operating revenues presented in **Table 30.1** are generated from external customers.

Management measures the profitability of the Company's segments based on PTOI which excludes elements that are not representative of the Company's operating performance because they include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or because they are not part of the Company's normal activities. Refer to **Section 29 – Non-GAAP and other financial measures** of the Company's MD&A for the definition and reconciliation of related operating measures.

The reconciliation of the segment operating revenue and PTOI to the amounts recognized in the consolidated statements of income is presented in **Table 30.2** and **Table 30.3**, respectively.

As at April 1, 2024, the Company refined the reporting of its segment information and reclassified the comparative information accordingly. The discount build and the net unwind of discount on claims liabilities were previously reported within Corporate and other in operating results and are now reported within non-operating results. The change removes volatility related to changes in discount rates from the Company's operating results as it was not representative of the fundamental performance of the Company's business. This change in presentation does not impact how the Company manages its lines of business as these were already presented on an undiscounted basis. For the year ended December 31, 2023, this resulted in a decrease of \$64 million in PTOI and a decrease of \$47 million in NOI attributable to common shareholders.

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Table 30.1 – Segment operating performance

Years ended December 31,	2024					2023				
	CAN	UK&I	US	Corp	Total	CAN	UK&I	US	Corp	Total
Operating income										
Operating net underwriting revenue	15,184	4,199	2,272	3	21,658	14,086	4,143	2,114	22	20,365
Operating net investment income	-	-	-	1,559	1,559	-	-	-	1,346	1,346
Other operating income	573	-	33	10	616	505	-	57	8	570
Segment operating revenue	15,757	4,199	2,305	1,572	23,833	14,591	4,143	2,171	1,376	22,281
Operating net claims	(9,170)	(2,394)	(1,118)	(3)	(12,685)	(8,802)	(2,521)	(1,052)	1	(12,374)
Operating net underwriting expenses	(4,906)	(1,504)	(869)	(5)	(7,284)	(4,511)	(1,471)	(823)	(3)	(6,808)
Share of profit from invest. in associates & JV	165	-	-	-	165	167	-	-	-	167
Total finance costs	(16)	-	-	(222)	(238)	(13)	-	-	(222)	(235)
Other operating expense	(239)	-	(8)	(186)	(433)	(228)	-	(34)	(165)	(427)
PTOI	1,591	301	310	1,156	3,358	1,204	151	262	987	2,604
Operating income tax expense					(679)					(491)
Net income (loss) attributable to NCI					(13)					(15)
Preferred shares dividends and other equity distributions					(90)					(84)
NOI attributable to common shareholders					2,576					2,014
PTOI is comprised of:										
Underwriting income (loss)	1,108	301	285	(5)	1,689	773	151	239	20	1,183
Operating net investment income	-	-	-	1,559	1,559	-	-	-	1,346	1,346
Distribution income	499	-	25	-	524	444	-	23	-	467
Total finance costs	(16)	-	-	(222)	(238)	(13)	-	-	(222)	(235)
Other operating income (expense)	-	-	-	(176)	(176)	-	-	-	(157)	(157)
PTOI	1,591	301	310	1,156	3,358	1,204	151	262	987	2,604

Table 30.2 – Reconciliation of segment operating revenue to amounts recognized in the Consolidated statements of income

Years ended December 31,	2024	2023
Segment operating revenue (Table 30.1)	23,833	22,281
Expense from reinsurance contracts	2,579	3,056
Net insurance revenue from claims acquired in a business combination	842	1,418
Assumed (ceded) commissions and premium adjustment	95	244
Net insurance revenue from retroactive reinsurance contracts	(46)	(138)
Other income included in Operating net underwriting expenses	98	93
Net underwriting revenue from exited lines	1,395	562
Revenue, as reported below	28,796	27,516
Represented by:		
Insurance revenue	26,523	25,507
Net investment income	1,559	1,346
Other income (Table 23.2)	714	663
	28,796	27,516

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Table 30.3 – Reconciliation of PTOI to amounts recognized in the Consolidated statements of income

Years ended December 31,	2024	2023
Segment PTOI (Table 30.1)	3,358	2,604
Non-operating items:		
Net gains (losses) on investment portfolio	148	249
Changes in discount rate and other financial assumptions	(196)	(156)
Net foreign currency gains (losses) included in net insurance financial result	140	94
Discount build on claims liabilities	925	948
Net unwind of discount on claims liabilities	(883)	(884)
Other net gains (losses)	303	50
Income (loss) from exited lines	(108)	(313)
Amortization of acquired intangible assets	(306)	(270)
Acquisition, integration and restructuring costs	(407)	(503)
Net result from claims acquired in a business combination	(4)	(3)
Other	(59)	23
Pre-tax income, as reported in the MD&A	2,911	1,839
Less: share of income tax expense from broker associates	(33)	(35)
Income before income taxes, as reported	2,878	1,804

30.3 Selected segment assets and liabilities

Table 30.4 – Selected segment assets and liabilities

As at December 31,	2024					2023				
	CAN	UK&I	US	Corp	Total	CAN	UK&I	US	Corp	Total
Investments (Note 6)	-	-	-	40,282	40,282	-	-	-	37,083	37,083
Net liability for incurred claims ¹	14,126	6,502	2,360	6	22,994	13,746	5,867	2,026	2	21,641

¹ Represents the net liability for incurred claims before net payables included in incurred claims and the reclass of net claims reported under the GMM. Refer to Table 10.9 – Carrying amount of the net liability for incurred claims.

30.4 Information by geographic areas

Table 30.5 – Geographic areas

As at December 31,	2024				2023			
	Canada	UK&I	US	Total	Canada	UK&I	US	Total
Insurance and reinsurance contracts:								
Insurance revenue	16,464	7,194	2,865	26,523	15,514	7,389	2,604	25,507
Insurance service expense	(14,314)	(5,840)	(2,264)	(22,418)	(13,497)	(6,945)	(2,142)	(22,584)
Expense from reinsurance contracts	(878)	(1,231)	(470)	(2,579)	(798)	(1,781)	(477)	(3,056)
Income from reinsurance contracts	877	434	349	1,660	492	1,569	381	2,442
Other information:								
Total revenues (Table 30.2)	18,076	7,615	3,105	28,796	17,014	7,672	2,830	27,516
Total assets	32,293	17,822	9,411	59,526	31,293	16,869	7,817	55,979

The amounts presented above are allocated based on the country where the risks originate. The Company's significant operating subsidiaries by geographic areas of operations are presented below.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Table 30.6 – Significant operating subsidiaries by geographic areas

Operations	Legal entities	
Canada	- Belair Insurance Company Inc. - Brokerlink Inc. - Canadian Northern Shield Insurance Company - Equisure Financial Network Inc. - IB Reinsurance Inc. - Intact Insurance Company - Intact Public Entities Inc. - Jevco Insurance Company - Novex Insurance Company	- On Side Developments Ltd. - Quebec Assurance Company - Royal & Sun Alliance Insurance Company of Canada - The Johnson Corporation - The Nordic Insurance Company of Canada - Trafalgar Insurance Company of Canada - Unifund Assurance Company - Western Assurance Company
US	- Atlantic Specialty Insurance Company - Intact Insurance Group USA Holdings Inc. - Intact U.S. Financial Services Inc.	- The Guarantee Company of North America USA - Strior Insurance Solutions LLC
UK&I	Royal & Sun Alliance Insurance Limited	- RSA Luxembourg S.A. - RSA Insurance Ireland DAC

Note 31 – Additional information on the Consolidated statements of cash flows

31.1 Cash flows from operating activities

Table 31.1 – Cash flows from operating activities

Years ended December 31,	2024	2023
Adjustments for non-cash items		
Net (gains) losses on investment portfolio (<i>Note 22</i>)	(148)	(249)
Other net (gains) losses (<i>Note 23</i>)	(303)	(50)
Depreciation of property and equipment ¹	163	161
Amortization of intangible assets (<i>Note 13</i>)	563	436
Net (discounts) premiums on debt securities classified as FVTOCI	(131)	(37)
DB pension expense (<i>Note 29</i>)	97	1
Share-based payment plan expense	135	120
Share of profit from investments in associates and joint ventures (<i>Note 14</i>)	(89)	(96)
Other	7	159
	294	445
Changes in other operating assets and liabilities		
Contributions to the DB pension plans (<i>Note 29</i>)	(151)	(1,027)
Changes in insurance and reinsurance contracts	1,192	879
Share-based payments	(20)	(14)
Other operating assets	(74)	10
Other operating liabilities	(31)	(137)
Dividends received from investments in associates and joint ventures (<i>Note 14</i>)	44	39
	960	(250)

¹ Includes depreciation of right-of-use assets of leases.

Table 31.2 – Other relevant cash flow disclosures – operating activities

Years ended December 31,	2024	2023
Interest paid	225	228
Interest received	1,217	1,011
Dividends received	362	366

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

31.2 Composition of cash and cash equivalents, net of bank overdraft

Table 31.3 – Composition of cash and cash equivalents, net of bank overdraft

As at December 31,	2024	2023
Cash	881	905
Cash equivalents	264	266
Cash and cash equivalents	1,145	1,171
Bank overdraft, recorded in Other liabilities (<i>Table 16.3</i>)	(148)	-
Cash and cash equivalents, net of bank overdraft	997	1,171

Cash and cash equivalents with restricted use was approximately \$251 million and \$232 million as at December 31, 2024 and 2023, respectively.

Note 32 – Related-party transactions

The Company enters into transactions with associates and joint ventures in the normal course of business as well as with key management personnel and pension plans. Transactions with related parties are at normal market prices and mostly comprise of commissions for insurance policies, interest and principal payments on loans and reinsurance agreements.

32.1 Transactions with associates and joint ventures

Table 32.1 – Transactions with associates and joint ventures

As at December 31,	2024	2023
Income (expenses) recognized in:		
Insurance service expense	(448)	(363)
Net investment income	7	8
Assets (liabilities) recognized in:		
Loans and other receivables	136	111
Other payables and other liabilities	(190)	(188)
Insurance contract liabilities	127	69

32.2 Compensation of key management personnel

The Company's key management personnel are those that have the authority and responsibility for planning, directing and controlling the activities of the Company, which includes the entirety of the Executive Officers of the Company as well as the Board of Directors.

Table 32.2 – Aggregate compensation of key management personnel

Years ended December 31,	2024	2023
Compensation ¹	31	22
Share-based payments	38	34
	69	56

¹ Compensation is comprised of short-term employee benefits and long-term employee benefits, including pension benefits.

Key management personnel can purchase insurance products offered by the Company in the normal course of business. The terms and conditions of such transactions are essentially the same as those available to clients and employees of the Company.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

32.3 Pension plans

Intact Investment Management Inc., a subsidiary of the Company, manages the investment portfolio of the Canadian pension plans' Master Trust in return for investment advisory fees charged to the pension plans, for a total of \$6 million for the year ended December 31, 2024 (\$6 million – December 31, 2023).

The Company made contributions to the Canadian and UK pension plans of \$151 million for the year ended December 31, 2024 (\$1,027 million – December 31, 2023).

Note 33 – Commitments and contingencies

33.1 Commitments

The Company has entered into commercial leases mainly related to real estate right-of-use assets, as well as other commitments. The remaining life of these commitments ranges from one to 16 years. Refer to *Note 9.5 b) – Financial liabilities by contractual maturity* and *Note 16.2 – Other liabilities* for details on lease liabilities.

a) Other non-cancellable commitments

The following table presents other non-cancellable commitments including operational costs and variable lease payments.

Table 33.1 – Other non-cancellable commitments

As at December 31, 2024	Leases ¹	Investments ²	Other	Total
Less than 1 year	86	1,120	183	1,389
From 1 to 5 years	242	-	42	284
Over 5 years	218	-	-	218
	546	1,120	225	1,891

¹ Includes variable lease payments not based on an index or rate, such as property taxes.

² Represents property funds, collateralized debt obligations and other classes of investments which are callable on demand over the life of the funds.

b) Amounts recognized in the Consolidated statements of income

Table 33.2 – Amounts recognized in the Consolidated statements of income

Years ended December 31,	2024	2023
Interest expense on lease liabilities	22	19
Operational costs and variable lease payment expenses	108	114

33.2 Contingencies

In the normal course of operations, various insurance claims and legal proceedings are instituted against the Company. Legal proceedings are often subject to numerous uncertainties, and it is not possible to predict the outcome of individual cases. In management's opinion, the Company has made adequate provisions for, or has adequate insurance and reinsurance to cover all insurance claims and legal proceedings. Consequently, any settlements reached should not have a material adverse effect on the Company's consolidated future operating results and financial position.

The Company provides indemnification agreements to directors and officers, to the extent permitted by law, against certain claims made against them as a result of their services to the Company. The Company has insurance coverage for these agreements.

Regarding the class actions relating to business interruption coverage in Canada, most commercial policies, except in very limited instances, do not provide for business interruption coverage in the context of a closure due to COVID-19 since direct physical loss or damage is required to trigger this coverage. The Company continues to monitor the progression of these judgments and believes they will not have a material effect on its Consolidated financial statements.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

Note 34 – Disclosures on rate regulation

34.1 Canada

The Company's Canadian insurance subsidiaries are licensed under insurance legislation in each of the provinces and territories in which they conduct business. Personal and commercial automobile insurance is a compulsory product and is subject to different regulations across the provinces and territories in Canada, including those with respect to rate setting.

Rate setting mechanisms generally fall under three categories:

Table 34.1 – Rate filing categories

Category	Description
File and approve	Insurers must wait for specific approval of filed rates before they may be used.
File and use	Insurers file their rates with the relevant authorities and wait for a prescribed period and then implement the proposed rates.
Use and file	Rates are filed following use.

In Canada, essentially all provinces and territories use a "file and approve" rate setting mechanism except for Québec, which uses a "use and file" mechanism. Automobile insurance revenue covered by a "file and approve" rate setting mechanism totalled \$5.5 billion, or 74% of the Canadian Company's automobile insurance revenue for the year ended December 31, 2024 (\$5.1 billion, or 74% – December 31, 2023).

34.2 US

Most states have insurance laws generally requiring property and casualty insurance companies to file their rates, rules and policy or coverage forms with the state's regulatory authority. In most cases, such rates, rules and forms must be approved prior to use. While pricing laws vary from state to state, their objectives are generally to ensure that rates are not excessive, inadequate or unfairly discriminatory or used to engage in unfair price competition. The Company's ability to increase rates and the timing of the process are dependent upon the regulatory requirements in each state. Certain lines of property and casualty insurance may be exempt from these requirements.

34.3 UK&I

In the UK&I, there are no regulations requiring insurance companies to file their rates, however, there are rules to ensure that insurance companies provide quotes for renewing home and automobile insurance policies that are not greater than quotes for a new customer through the same channel.

Note 35 – Standards issued but not yet effective

35.1 IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 – *Presentation and Disclosure in Financial Statements* ("IFRS 18") to improve reporting of financial performance. IFRS 18 replaces IAS 1, however, it carries forward many requirements from IAS 1 unchanged. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 introduces specified subtotals in the statements of income, new disclosures for management-defined performance measures, and additional requirements for the aggregation and disaggregation of information.

The Company is currently assessing the impact of this new standard on the presentation and disclosure of its financial statements.

Notes to Consolidated Financial Statements

(in millions of Canadian dollars, except as otherwise noted)

35.2 Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB published *Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7* to address matters identified during the post-implementation review of IFRS 9. The amendments clarify the classification of certain financial assets as well as the derecognition of a financial liability and introduce an accounting policy option for the derecognition of financial liabilities settled through electronic transfer if certain conditions are met. The amendments also add disclosure requirements for certain financial instruments.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted, and will apply retrospectively.

The Company is currently assessing the impact of these amendments on its financial statements.