

Consolidated Financial Statements

SAGEN MI CANADA INC.

Years ended December 31, 2024 and 2023

Independent auditor's report

To the Shareholders of
Sagen MI Canada Inc.

Opinion

We have audited the consolidated financial statements of **Sagen MI Canada Inc.** [the "Company"], which comprise the consolidated statements of financial position 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 a summary of material accounting policies [collectively referred to as the "consolidated financial statements"].

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For 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.



Key audit matter	How our audit addressed the key audit matter
<i>Valuation of insurance contract liabilities</i>	
The Company recorded insurance contract liabilities of \$2.63 billion as at December 31, 2024 on its consolidated statement of financial position. Insurance contract liabilities are reported using the general measurement model ["GMM"]. At initial recognition, for insurance contracts measured under the GMM, the Company measures a group of insurance contracts as the total of: [a] fulfilment cash flows, which represent estimates of the present value of future cash flows that are expected to arise as the Company fulfills the contracts, an explicit risk adjustment for non-financial risk; and [b] a contractual service margin ["CSM"], which represents the unearned profit for the group of contracts. As more fully described in Note 5 of the consolidated financial statements, when estimating future cash flows, the Company uses stochastic modelling techniques using best estimate assumptions. The CSM is recognized in profit or loss as services are provided based on coverage units. Coverage units are an estimate of the loss given default for outstanding insured mortgages. Auditing the valuation of these insurance contract liabilities was complex and required the application of significant auditor judgment due to the complexity of the cash flow models, the selection and use of inputs and assumptions, such as home price indexes and unemployment rates, and the interrelationship of these variables in measuring insurance contract liabilities. The audit effort involved professionals with specialized skills and knowledge to assist in evaluating the audit evidence obtained.	We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over the valuation of insurance contract liabilities. The controls we tested related to, among other areas, actuarial methodology, integrity of data used, controls over relevant information technology, assumption setting and the review of the output of management's internal models. To test the valuation of insurance contract liabilities, our audit procedures included, among other procedures, involving our actuarial and modeling specialists to assess the methodology and assumptions with respect to compliance with the Company's policies. We evaluated and tested the key inputs and assumptions used in the determination of the future cash flows, risk adjustment and coverage units by comparing them to supporting documentation or externally available market and economic information. We assessed the modeling methodology used to generate projected losses for ongoing appropriateness. We have performed an independent calculation of the CSM for groups of insurance contracts and compared the amounts to the Company's results. In addition, we assessed the adequacy of the financial statement note disclosures.

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 2024 Annual Report.

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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 Michael Cox.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
January 29, 2025



MANAGEMENT STATEMENT ON RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the consolidated financial statements of Sagen MI Canada Inc. (the "Company"). This responsibility includes ensuring the integrity and fairness of information presented and making appropriate estimates based on judgment. The consolidated financial statements are prepared in conformity with International Financial Reporting Standards.

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

The Board of Directors of the Company is responsible for approving the consolidated financial statements. The Audit Committee of the Board, comprising independent directors who are neither officers nor employees of the Company, meets with management, internal auditors, the Appointed Actuary and external auditors (all of whom have unrestricted access and the opportunity to have private meetings with the Audit Committee) and reviews the consolidated financial statements. The Audit Committee then submits its report to the Board recommending its approval of the consolidated financial statements.

The Company's Appointed Actuary is required to conduct a valuation of policy liabilities in accordance with Canadian generally accepted actuarial standards, reporting his results to management and the Audit Committee.

The Company's external auditors, Ernst & Young LLP, conduct an independent audit of the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards. Ernst & Young LLP has full and free access to Management and the Audit Committee. The Independent auditor's report appears on the following page.

Stuart Levings
President and Chief Executive Officer

Amit Chalam
Senior Vice-President and Chief Financial Officer

January 29, 2025
Toronto, Canada

SAGEN MI CANADA INC.

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SAGEN MI CANADA INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

As at December 31, 2024 and 2023

	Notes	December 31, 2024	December 31, 2023
Assets			
Cash and cash equivalents ⁽¹⁾	6	\$ 354,076	\$ 451,745
Short-term investments	6	4,981	18,090
Accrued investment income and other receivables		121,905	87,030
Derivative financial instruments	6	27,335	175,943
Bonds and debentures	6	5,268,476	5,323,653
Private credit loans and alternative assets	6	213,850	135,618
Preferred shares	6	491,204	491,788
Total invested assets, accrued investment income and other receivables		6,481,827	6,683,867
Income taxes recoverable		11,295	—
Prepaid assets		5,744	5,342
Deferred tax asset	8	196,197	142,788
Investment in associate	20	44,520	39,335
Property and equipment		1,549	2,276
Right-of-use-assets	10	4,697	4,930
Intangible assets	13	17,378	16,127
Goodwill		11,172	11,172
Total assets		\$ 6,774,379	\$ 6,905,837
Liabilities and Shareholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities ⁽¹⁾		\$ 148,508	\$ 191,772
Income taxes payable		1,208	201,104
Insurance contract liabilities	5	2,624,970	2,562,603
Share-based compensation liabilities	12	29,567	22,386
Derivative financial instruments	6	130,752	132,700
Lease liabilities	10	6,571	6,994
Debt outstanding	17	921,548	920,614
Accrued net benefit liabilities under employee benefit plans	11	31,501	34,341
Total liabilities		3,894,625	4,072,514
Shareholders' equity:			
Common shares	15	767,600	725,656
Preferred shares	15	97,907	97,907
Retained earnings		2,013,325	2,105,613
Accumulated other comprehensive (loss) income			
Insurance finance reserve		25,316	54,768
Fair value reserve		(23,832)	(150,686)
Other reserves		(562)	65
Total shareholders' equity		2,879,754	2,833,323
Total liabilities and shareholders' equity		\$ 6,774,379	\$ 6,905,837

⁽¹⁾Cash and cash equivalents as at December 31, 2024 includes \$3,940 (December 31, 2023 - \$92,163) of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities.

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

_____(signed) "Stuart Levings" Director

_____(signed) "Neil Parkinson" Director

SAGEN MI CANADA INC.

Consolidated Statements of Income
(In thousands of Canadian dollars)

Years ended December 31, 2024 and 2023

	Notes	2024	2023
Insurance revenue	5(a)	\$ 848,051	\$ 730,210
Insurance service expenses:			
Net losses on claims	5(b)	36,156	38,032
Insurance expenses	21	109,339	92,611
	5(b)	145,495	130,643
Insurance service result		702,556	599,567
Insurance finance expense		96,105	77,473
Other operating expenses	21	40,974	37,419
		565,477	484,675
Investment income:			
Interest		248,067	235,316
Dividends		28,738	27,483
Loss from associate	20	(1,674)	(735)
Net realized gains (losses) from sale of investments		1,119	(10,782)
Net fair value gains on financial assets at Fair Value through Profit or Loss		32,511	9,766
Net losses on derivatives and foreign exchange		(6,633)	(8,680)
Change in allowance for expected credit losses		(6,503)	(1,224)
Total investment income		295,625	251,144
General investment expenses		(10,073)	(13,631)
		285,552	237,513
Interest expense		39,947	37,831
Income before income taxes		811,082	684,357
Income taxes:	8		
Current		219,667	232,901
Deferred		(14,154)	(60,287)
		205,513	172,614
Net income for the year attributable to owners of the Company		\$ 605,569	\$ 511,743

See accompanying notes to the consolidated financial statements.

SAGEN MI CANADA INC.

Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars)

Years ended December 31, 2024 and 2023

	2024	2023
Net income	\$ 605,569	\$ 511,743
Other comprehensive income:		
Items that may be reclassified subsequently to income:		
Insurance finance expense	(39,853)	(52,285)
Recovery of taxes on the above item	10,401	13,647
Insurance finance result	(29,452)	(38,638)
Foreign currency (loss) gain on translation	(627)	65
Foreign currency translation	(627)	65
Net change in fair value of bonds and debentures at FVOCI	101,397	149,384
Net losses on bonds and debentures at FVOCI realized and reclassified to income	19,991	17,828
Expense for taxes on the above items	(32,086)	(43,863)
Debt instruments at FVOCI	89,302	123,349
Items that will not be reclassified subsequently to income:		
Net change in fair value of equity instruments at FVOCI	50,004	9,617
Net realized gains on equity instruments at FVOCI	1,040	914
Expense for taxes on the above item	(13,492)	(2,726)
Net change in equity instruments designated as FVOCI	37,552	7,805
Re-measurement of employee benefit obligations	3,441	(3,714)
(Expense for) recovery of taxes on the above item	(898)	970
Re-measurement of employee obligations	2,543	(2,744)
Total other comprehensive income for the year attributable to owners of the Company	99,318	89,837
Total comprehensive income attributable to owners of the Company	\$ 704,887	\$ 601,580

See accompanying notes to the consolidated financial statements.

SAGEN MI CANADA INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

	Common shares	Preferred shares	Retained earnings	Accumulated other comprehensive income (loss)			Total shareholders' equity
				Insurance finance reserve	Fair value reserve	Other reserves ⁽³⁾	
Balance as at January 1, 2024	\$725,656	\$ 97,907	\$2,105,613	\$ 54,768	\$(150,686)	\$ 65	\$ 2,833,323
Comprehensive income (loss):							
Net income	—	—	605,569	—	—	—	605,569
Other comprehensive income (loss)	—	—	—	(29,452)	126,854	1,916	99,318
Total comprehensive income (loss)	—	—	605,569	(29,452)	126,854	1,916	704,887
Total transactions recognized directly in equity:							
Dividends on common shares ⁽¹⁾	—	—	(695,000)	—	—	—	(695,000)
Dividends on preferred shares ⁽²⁾	—	—	(5,400)	—	—	—	(5,400)
Issuance of common shares	20,972	—	—	—	—	—	20,972
Benefit from corporate reorganization (note 15)	20,972	—	—	—	—	—	20,972
Re-measurement of employee benefit obligations	—	—	2,543	—	—	(2,543)	—
Total transactions recognized directly in equity	41,944	—	(697,857)	—	—	(2,543)	(658,456)
Balance as at December 31, 2024	\$767,600	\$ 97,907	\$2,013,325	\$ 25,316	\$(23,832)	\$ (562)	\$ 2,879,754

⁽¹⁾The Company paid ordinary dividends of \$64 per Class A Common Share in the first, second, third and fourth quarter of 2024 and special dividends of \$34.46, \$108.31, \$29.54 and \$256 per Class A Common Share in the first, second, third and fourth quarter of 2024 respectively.

⁽²⁾The Company paid dividends of \$0.3375 per Series 1 Preferred Share in the first, second, third and the fourth quarter of 2024.

⁽³⁾Other reserves reflects impact of re-measurement of employee benefit obligations and unrealized gains or losses on foreign exchange in respect of the investment in associate

SAGEN MI CANADA INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

	Common shares	Preferred shares	Retained earnings	Accumulated other comprehensive income (loss)			Total shareholders' equity
				Insurance finance reserve	Fair value reserve	Other reserves	
Balance as at December 31, 2022, as previously reported under IFRS 4 and IAS 39	\$683,854	\$ 97,907	\$2,220,563	\$ —	\$(354,374)	\$ —	\$ 2,647,950
Cumulative impact of IFRS 17 as of December 31, 2022	—	—	(92,632)	93,406	—	—	774
Cumulative impact of IFRS 9 as of December 31, 2022	—	—	(72,917)	—	72,534	—	(383)
Restated balance as at January 1, 2023	\$683,854	\$ 97,907	\$2,055,014	\$ 93,406	\$(281,840)	\$ —	\$ 2,648,341
Comprehensive income (loss):							
Net income	—	—	511,743	—	—	—	511,743
Other comprehensive income (loss)	—	—	—	(38,638)	131,154	(2,679)	89,837
Total comprehensive income (loss)	—	—	511,743	(38,638)	131,154	(2,679)	601,580
Total transactions recognized directly in equity:							
Dividends on common shares ⁽¹⁾	—	—	(453,000)	—	—	—	(453,000)
Dividends on preferred shares ⁽²⁾	—	—	(5,400)	—	—	—	(5,400)
Issuance of common shares	20,901	—	—	—	—	—	20,901
Benefit from corporate reorganization (note 15)	20,901	—	—	—	—	—	20,901
Re-measurement of employee benefit obligations	—	—	(2,744)	—	—	2,744	—
Total transactions recognized directly in equity	41,802	—	(461,144)	—	—	2,744	(416,598)
Balance as at December 31, 2023	\$725,656	\$ 97,907	\$2,105,613	\$ 54,768	\$(150,686)	\$ 65	\$ 2,833,323

⁽¹⁾ The Company paid ordinary dividends of \$64.38 per Class A Common Share in the second, third and fourth quarter of 2023 and special dividends of \$255.55 per Class A Common Share in the fourth quarter of 2023.

⁽²⁾ The Company paid dividends of \$0.3375 per Series 1 Preferred Share in the first, second, third and fourth quarter of 2023.

See accompanying notes to the consolidated financial statements.

SAGEN MI CANADA INC.

Consolidated Statements of Cash Flows (In thousands of Canadian dollars)

Years ended December 31, 2024 and 2023

	Notes	2024	2023
Cash generated from (used in):			
Operating activities:			
Net income		\$ 605,569	\$ 511,743
Adjustments for non-cash items in net income:			
Amortization of intangible assets and depreciation of property and equipment		7,064	6,800
Income taxes	8	205,513	172,614
Interest income		(248,067)	(235,316)
Dividend income		(28,738)	(27,483)
Loss from associate	20	1,674	735
Net realized (gains) losses from sale of investments		(1,119)	10,782
Net fair value gains on financial assets at Fair Value through Profit or Loss		(32,511)	(9,766)
Net losses on derivatives and foreign exchange	6	6,633	8,680
Change in allowance for expected credit losses		6,503	1,224
Interest expense	6	39,947	37,831
Share-based compensation expense	12	13,957	11,620
		576,425	489,464
Changes in operating assets and liabilities:			
Accrued investment income and other receivables		(28,904)	28,622
Prepaid assets		(402)	(991)
Accounts payable and accrued liabilities		42,741	(12,656)
Insurance contract liabilities		22,514	(66,648)
Accrued net benefit liabilities under employee benefit plans		599	857
		612,973	438,648
Cash generated from (used in) operating activities:			
Interest received from bonds and debentures		240,299	236,105
Dividends received from preferred shares		28,738	27,386
Interest and fees paid on debt outstanding		(32,427)	(37,175)
Income taxes (paid) recovered		(464,209)	27,000
Share-based compensation awards settled in cash		(6,776)	(5,229)
Net cash generated from operating activities		378,598	686,735
Financing activities:			
Net proceeds from long-term debt issuance	17	—	198,581
Redemption of long-term debt	17	—	(169,934)
Dividends paid		(700,400)	(458,400)
Payment of lease liabilities		(889)	(911)
Net cash used in financing activities		(701,289)	(430,664)
Investing activities:			
Purchase of short-term investments		(220,500)	(255,586)
Proceeds from sale or maturities of short-term investments		235,635	360,580
Purchase of bonds, private credit loans and alternative assets		(1,166,432)	(930,671)
Proceeds from sale or maturities of bonds, private credit loans and alternative assets		1,417,159	804,937
Purchase of preferred shares		(11,949)	(24,155)
Proceeds from sale of preferred shares		116,781	9,732
Purchase of intangible assets and property and equipment		(6,885)	(6,860)
Derivative financial instruments		(131,301)	(18,898)
Investment in associate	20	(7,486)	—
Net cash generated from (used in) investing activities		225,022	(60,921)
(Decrease) increase in cash and cash equivalents		(97,669)	195,150
Cash and cash equivalents, beginning of year		451,745	256,595
Cash and cash equivalents, end of year		\$ 354,076	\$ 451,745

See accompanying notes to the consolidated financial statements.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements

(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

1. Reporting entity:

Sagen MI Canada Inc. (the "Company"), was incorporated under the *Canada Business Corporations Act* on May 25, 2009 and is domiciled in Canada. The share capital of the Company is comprised of Class A Common Shares and Class A Preferred Shares. Through Falcon Holding Acquisition Corporation, Brookfield Business Partners L.P. and institutional partners (collectively, "Brookfield") indirectly own 100% of the Class A Common Shares of the Company. The Company's Class A Preferred Shares, Series 1, are traded publicly on the Toronto Stock Exchange under the symbol "MIC.PR.A". The Company's registered office is located at Suite 300, 2060 Winston Park Drive, Oakville, Ontario, L6H 5R7, Canada.

The Company holds a 100% ownership interest in the holding companies Sagen Holdings I Company ("Holdings I") and Sagen Holdings II Company ("Holdings II"). Through Holdings I and Holdings II, the Company also holds an indirect 100% ownership interest in Sagen Mortgage Insurance Company Canada (the "Insurance Subsidiary"), which in turn directly owns all of the issued and outstanding shares of MIC Insurance Company Canada ("MICICC"). Additional information on the Company's subsidiaries and consolidation structure is disclosed in note 9(b). These consolidated financial statements for the years ended December 31, 2024 and 2023 reflect the consolidation of the Company and its subsidiaries. In addition to its interests in consolidated subsidiaries, the Company holds a 47.50% equity-accounted interest in India Mortgage Guarantee Corporation Private Limited ("IMGC") through the subsidiary Sagen International Holdings Inc. (December 31, 2023 - 40.20%).

The Insurance Subsidiary is engaged in mortgage insurance in Canada. Insurance premiums for mortgage insurance are received by the Company in full on an upfront, single premium basis. Under a mortgage insurance policy, a mortgage lender is insured against risk of loss for the entire unpaid loan balance, plus interest and customary selling costs and expenses related to the sale of the property upon default by a mortgage borrower. Claims paid to the lender are net of the proceeds received from the sale of the underlying property.

MICICC is licensed to service policies originated prior to its acquisition by the Company and does not have any policies in force at December 31, 2024 or 2023.

The Insurance Subsidiary and MICICC are regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as applicable provincial financial services regulators.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

1. Reporting entity (continued):

The Insurance Subsidiary is also subject to regulation under the *Protection of Residential Mortgage or Hypothecary Insurance Act* ("PRMHIA"). Under the terms of PRMHIA, the Canadian federal government guarantees the benefits payable under eligible mortgage insurance policies issued by the Insurance Subsidiary, less 10% of the original principal amount of each insured loan, in the event that the Insurance Subsidiary fails to make claim payments with respect to that loan due to its bankruptcy or insolvency. The Company is subject to a risk fee equal to 2.25% of gross premiums written in conjunction with receiving credit support in the form of the Government of Canada guarantee. The maximum outstanding insured exposure for all private insured mortgages, including those insured by other private mortgage insurance companies, under PRMHIA is \$350 billion.

2. Basis of presentation:

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They were approved by the Board of Directors on January 29, 2025.

The material accounting policies applied in the preparation of these consolidated financial statements are described in Note 3 - Material accounting policies. These policies have been applied consistently to all periods presented, except for the new standards and amendments to existing standards adopted on January 1, 2024, as described in Note 4 - Changes in accounting and reporting standards.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts.

The Company presents its consolidated statement of financial position in order of liquidity.

Use of estimates and judgments:

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

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

2. Basis of presentation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Key significant judgments and estimates that have been applied in the preparation of these consolidated financial statements are as follows:

Description	Reference
Insurance contracts	Note 5
Investments	Note 6
Income taxes	Note 8
Employee benefits	Note 11
Share-based compensation	Note 12
Intangible assets and Goodwill	Note 13

Seasonality:

The mortgage insurance business is seasonal in nature. Premiums written vary each quarter. These variations are driven by the level of mortgage originations and related mortgage policies written, which typically peak in the spring and summer months.

Delinquencies and losses on claims also vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio, such as size and age. Typically, losses on claims increase during the winter months, primarily due to an increase in new delinquencies, and decrease during the spring and summer months.

3. Material accounting policies:

(a) Basis of Consolidation:

Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances, income and expenses arising from intercompany transactions have been eliminated in preparing the consolidated financial statements. Interest in consolidated subsidiaries is disclosed in note 9(b).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Investment in Associate:

Investments in entities over which the Company has significant influence are classified as investment in associate in the consolidated statements of financial position. Significant influence exists where the Company has the ability to participate in the decisions and relevant activities of the investee but does not have control. Significant influence is typically represented by ownership interests of 20% to 50%. The investment in associate is accounted for using the equity method. Under the equity method, investments are initially measured at cost, including attributable goodwill and intangible assets, and are adjusted thereafter by the Company's share of the changes in the investments' net assets. The Company's after-tax share of the results of operations of the associates is presented in income or loss from associate in the consolidated statements of income. The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired.

(b) Insurance Contracts:

The Company applies IFRS 17 to the accounting for insurance contracts. Groups of insurance contracts are measured based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfills the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin ("CSM"). The risk-adjusted present value of the fulfilment cash flows incorporates all available information in a way that is consistent with observable market information. The CSM is an amount representing the unearned profit in each group of contracts.

Profit from a group of insurance contracts is recognized over each period the Company provides insurance contract services, as the Company is released from risk. If a group of insurance contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognizes the loss immediately in the consolidated statement of income.

The material accounting policies related to insurance contracts used in the preparation of the Company's consolidated financial statements are presented below.

Classification:

The Company issues mortgage insurance contracts in the normal course of business, under which it accepts significant insurance risks from its policyholders. The Company does not issue any reinsurance contracts or contracts with direct participating features.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Level of aggregation:

The level of aggregation for the Company was determined by considering how to divide the insurance contracts into portfolios. Portfolios are comprised of groups of insurance contracts with similar risks which are managed together. Portfolios are further divided into three categories which are based on expected profitability at inception: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder.

Contract boundaries:

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

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group including future losses on claims net of recoveries, insurance acquisition expenses arising from selling and underwriting an insurance contract, claims handling expenses and policy maintenance expenses. These expense cash flows include an allocation of fixed and variable overheads.

Recognition:

The Company recognizes a group of insurance contracts issued from the earliest of the following:

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

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

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Measurement:

The Company's insurance contracts are classified as contracts without direct participating features and are measured using the General Measurement Model ("GMM"). The carrying amount of the insurance contract liability of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims.

Liability for remaining coverage ("LRC"):

The liability for remaining coverage is comprised of the fulfilment cashflows that relate to services that will be provided under the contracts in future periods and the remaining CSM at that date. Fulfilment cash flows are comprised of the present value of future cash flows required to fulfil the contract and a risk adjustment for non-financial risk. The Company's objective in estimating future cash flows, using the GMM, is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes.

Initial insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts. They are recognized in the consolidated statement of income over the period of the contract in a systematic and rational way. Insurance acquisition cash flows arise from the activities of selling, underwriting, and starting a group of contracts that will be directly attributable to the group of contracts including the risk fee, premium taxes, appraisal costs, certain employee compensation, and direct and allocated overhead costs that relate directly to the acquisition of new mortgage insurance business.

The Company does not incur significant insurance acquisition cashflows before the recognition of the related insurance contracts. Therefore, no separate asset related to acquisition cash flows is recognized. The Company allocates insurance acquisition cashflows to groups of contracts based on the total premiums written of each group.

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The Company elected to disaggregate the changes in the risk adjustment for non-financial risk into an insurance component and an insurance finance component in the consolidated statements of income.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

The Company measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses. For groups of contracts assessed as onerous, the Company recognizes an immediate loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfillment cash flows and the CSM of the group being zero. The fulfillment cashflows relating to onerous contracts are presented as a loss component within the liability for remaining coverage. Onerous contract losses and reversals of onerous contract losses are excluded from insurance revenues and instead recognized as insurance service expenses in the consolidated statement of income.

The fulfillment cashflows are subsequently measured at each reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfillment cash flows are recognized as follows:

Changes relating to future services	Adjusted against the CSM (or recognized in the insurance service expense in profit or loss if the group is onerous).
Changes relating to current or past services	Recognized in the insurance service expense in profit or loss.
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Interest accretion is recognized as insurance finance expense in profit or loss while the effect of changes in discount rate is recognized in insurance finance expense in OCI.

The CSM is recognized in profit or loss as services are provided based on coverage units. The Company determines coverage units based on Loss Given Default, which is defined as outstanding mortgage principal balance and expected costs of foreclosure, less the expected value of the property securing the claim.

Liability for incurred claims ("LIC"):

The LIC includes the fulfillment cashflows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The LIC is comprised of future expected cash flows in respect of estimated losses on claims, and a risk adjustment for non-financial risk. Future expected cash flows are comprised of individual case reserves, reserves for external and internal claims adjustment expenses (inclusive of overhead), Incurred but Not Reported Reserves ("IBNR"), subrogation rights related to real estate, and estimated recoveries from borrowers.

Subrogation rights related to real estate are recognized within the LIC at the fair value of the real estate assets less costs for obtaining the rights to and selling the assets. Estimated borrower recoveries related to past claims paid and current reserves are also recognized, as they are received within the LIC.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Risk adjustment for non-financial risk is determined by applying actuarially-determined risk adjustment factors to the LIC future cash flows.

Discounting:

Cash flows are discounted using discount rates adjusted to reflect the characteristics of the insurance liabilities. The Company has selected a top-down approach using a reference portfolio based on actual fixed income investment assets held by the Company that approximate the duration of the Company's insurance liabilities. To determine the discount rate, the rate of return on the reference portfolio is adjusted to remove the impact of credit risk.

The Company has elected to disaggregate insurance finance expense between amounts included in income and amounts included in OCI. Interest accretion is recognized as insurance finance expense in income based on the locked-in discount rate while the effect of changes in discount rates is recognized as insurance finance income or expense in OCI based on the current discount rate.

Presentation and disclosure:

The items in the Company's consolidated financial statements that are derived from insurance contracts are insurance revenue, insurance service expense, insurance finance expense and insurance contract liabilities.

The amount recognized as insurance revenue represents changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. The consideration for a group of contracts covers amounts related to the provision of services relating to the period and is comprised of the estimates of expected insurance service expenses, risk adjustment for non-financial risks and CSM release.

Insurance service expense represents incurred losses including changes in the liability for incurred claims, onerous contract losses and the reversal of onerous contract losses, amortization of insurance acquisition cash flows and policy maintenance expenses.

Insurance finance expense, disaggregated between income and OCI, is presented separately from insurance revenue and insurance service expenses.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Insurance contract liabilities are comprised of the liability for remaining coverage and the liability for incurred claims. Insurance acquisition cashflows are deferred within the liability for remaining coverage.

Subrogation recoverable, comprised of subrogation rights acquired in respect of real estate and estimated borrower recoveries, is included in the present value of future cash flows as part of the liability for incurred claims for policies in default.

Derecognition and contract modification:

The Company derecognizes a contract when the specified obligations in the contract expire or are discharged or cancelled.

The Company also derecognizes a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognized. If a contract modification does not result in derecognition, the Company will treat the changes in cash flows caused by the modification as changes in estimates of fulfillment cash flows.

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

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

If a contract is derecognized because its terms are modified, the CSM is also adjusted for the premium that would have been charged had the Company entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification.

Case reserves included in the liability for incurred claims are derecognized after a claim has been paid and the Company's obligation under the policy has been fulfilled, or after a borrower has remedied a delinquent loan and management estimates that no loss will be incurred under the policy.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

(c) Financial Instruments:

The Company recognizes financial assets on the trade date, at which it becomes a party to the contractual provisions of the financial asset contract.

Classification of financial assets:

The Company applies three classification categories for financial assets: measured at amortized cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). Classification is based on the business model in which the financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at FVTPL, FVOCI or amortized cost. The Company has made the irrevocable election to designate a subset of its preferred shares as FVOCI. Financial liabilities are classified as either financial liabilities at FVTPL or amortized cost.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

The following table presents a description of financial instruments along with their classification and the criteria for classifying them as such:

Measurement	Criteria and accounting treatment
Financial assets at Amortized Cost	A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL: - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Debt instruments at FVOCI	A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL: - it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Equity instruments designated at FVOCI	Equities are generally recognized at FVTPL. However, an irrevocable election is available upon initial recognition to present changes in the fair value of equity instruments in OCI if the instruments are not held for trading. This election is made by the Company upon initial recognition on an instrument-by-instrument basis.
Financial assets at FVTPL	All other financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if performance is evaluated on a fair value basis or doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or recognizing the gains and losses on them on different bases. The Company has not designated any financial assets at FVTPL.
Financial liabilities at Amortized Cost	Financial liabilities are classified at amortized cost, unless they have been classified at FVTPL.
Financial liabilities at FVTPL	A financial liability is classified at FVTPL if it is held for trading or designated as at FVTPL. A financial liability may be irrevocably designated upon initial recognition as at FVTPL if performance is evaluated on a fair value basis or doing so eliminates or significantly reduces an accounting mismatch. Fair value changes of financial liabilities designated as FVTPL are recognized in profit or loss, except for changes in the fair value that is attributable to changes in the entity's own credit risk will be presented in OCI. The Company has not designated any financial liabilities at FVTPL.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Business model assessment:

Classification as amortized cost and FVOCI requires analysis under the business model test. This assessment analyzes whether the asset is part of a portfolio or group that is managed within a business model whose objective is to collect contractual cash flows or to both collect contractual cash flows and sell. Otherwise, the asset is measured at FVTPL.

The Company has determined its business models as follows:

- Held-to-collect (“HTC”): the objective is to collect contractual cash flows; and
- Held-to-collect-and-sell (“HTC&S”): the objective is both to collect contractual cash flows and sell the financial assets.

The HTC model applies to the Company’s private credit loans. The HTC&S model applies to all of the Company’s other fixed income securities.

Solely Payments of Principal and Interest (“SPPI”) assessment:

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding is a necessary condition for classifying financial instruments as amortized cost or FVOCI. The objective of the SPPI test is to determine whether an arrangement pays only interest and principal which would typically be expected from basic lending agreements. Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest.

Contractual terms that introduce exposure to risk or volatility to the contractual cash flows that are inconsistent with a basic lending agreement do not satisfy the SPPI requirement.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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3. Material accounting policies (continued):

Impairment of financial assets: Expected Credit Loss Model:

The expected credit loss model is an impairment model requiring recognition of impairment losses on a forward-looking basis, which means that an impairment loss is recognized before the occurrence of any credit event. These impairment losses are referred to as expected credit losses ("ECL").

ECL is calculated for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI. For debt securities measured at FVOCI, ECL is recognized in income with a corresponding adjustment to OCI. For debt securities measured at amortized cost, ECL is recognized in income with a corresponding adjustment to the investment asset.

ECL reflects the discounted probability-weighted estimate of all cash shortfalls related to default events expected either over the following 12-month period or over the expected life of a financial instrument, depending on the assessment of credit deterioration from inception.

ECL is calculated as the product of the instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"), discounted to the reporting date.

ECL is based on a range of possible outcomes and considers all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows.

The Company measures ECL according to a three-stage ECL impairment model:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized as equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.
- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.
- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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3. Material accounting policies (continued):

ECL for financial assets for which credit risk has not significantly increased is calculated by multiplying the 12-month PD by the respective LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by the respective LGD and EAD.

After a financial asset has been transferred to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

Definition of default:

The Company considers a financial instrument to be in default because of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

An instrument is no longer considered impaired when all past due amounts, including interest, have been recovered and it is determined that the principal and interest are fully collectable in accordance with the original contractual terms of the instrument. The Company writes off instruments, either partially or in full, against the related ECL allowance when there is no realistic prospect of future recovery.

Cash and cash equivalents:

Cash and cash equivalents consist of deposits in banks, treasury bills and other highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and that are not subject to a significant risk of changes in value. Cash pledged as collateral by counterparties for derivative contracts is recognized in cash and cash equivalents with a corresponding liability recognized in the consolidated statements of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Company in the course of the collateral transactions.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Derivative financial instruments:

Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, foreign exchange rate, equity or commodity instrument or index. Derivative financial instruments are classified as FVTPL and are recognized in the consolidated statements of financial position as assets when their fair value is positive and as liabilities when their fair value is negative. While the Company has the ability to settle multiple financial derivative instruments on a net basis under a master netting arrangement, the Company does not meet the accounting requirements to offset derivative assets and liabilities. Accordingly, each derivative financial instrument is presented as an asset or liability based on the fair value of the individual instrument.

Derivative financial instruments include foreign currency forwards, cross currency interest rate swaps and interest rate swaps.

Changes in the fair value of derivative financial instruments, where hedge accounting has not been applied, are generally recognized in net gains or losses from derivatives and foreign exchange during the period in which they arise.

Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Non-derivative financial liabilities:

All non-derivative financial liabilities are recognized initially on the date that the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognized initially at fair value along with any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities consist of the Company's long-term debt and accounts payable and accrued liabilities including balances due to the Company's related parties.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Offsetting:

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

Derecognition:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Securities lending:

The Company includes a portion of its invested assets in its securities lending program. Securities lending transactions are entered into on a fully collateralized basis. The transferred securities themselves are not derecognized in the consolidated statements of financial position given that the risks and rewards of ownership are not transferred from the Company to the counterparties in the course of such transactions. Securities received from counterparties as collateral are not recognized in the consolidated statements of financial position given that the risk and rewards of ownership are not transferred from the counterparties to the Company in the course of such transactions and because cash collateral is not permitted as an acceptable form of collateral under the program.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

Interest income:

Interest income from short-term investments and bonds and debentures is recognized on an accrual basis using the effective interest method and reported as interest in investment income.

Lending fees received under the Company's securities lending program are recognized and reported in investment income.

Interest income from impaired fixed income investments is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Such interest is recognized only if the Company expects the interest to be received based on the financial condition of the fixed income investment issuer.

Dividend income:

Dividends on preferred and common shares are recognized when the shareholder's right to receive payment is established, which is the ex-dividend date, and are reported as dividends in investment income.

(d) Income taxes:

Income taxes are comprised of current and deferred taxes. Current and deferred taxes associated with items recognized in equity are recognized directly in equity. Taxes on fair value gains and losses, changes in insurance finance reserve and actuarial gains and losses from re-measurement of defined benefit plans included in OCI are recognized directly in OCI. Otherwise, except to the extent that they relate to a business combination, current and deferred taxes are recognized in income.

(i) Current tax:

Current taxes are recognized for estimated income taxes payable or recoverable for the current year and any adjustments to taxes payable in respect of prior years. Current taxes payable and current taxes recoverable are offset when they relate to income taxes imposed by the same taxation authority for the same legal entity and the taxation authority permits making or receiving a single net payment.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

(ii) Deferred tax:

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition of goodwill. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred taxes are measured using currently enacted or substantively enacted income tax rates expected to apply to taxable income in the periods in which the temporary differences reverse. The most significant temporary difference relates to insurance reserves.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable the Company will have sufficient taxable income against which they can be used. The deferred tax assets are reviewed each reporting period and are reduced to the extent that it is no longer probable that the benefit arising from the unused tax losses, tax credits or deductible temporary differences will be realized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes imposed by the same taxation authority for the same legal entity.

(iii) Uncertainty over tax treatments:

In each reporting period, the Company assesses whether there is uncertainty over any income tax treatments applied by the Company. If uncertainty over a tax treatment exists and the Company concludes it is probable that a taxation authority will accept an uncertain tax treatment, the Company determines the tax result consistently with the tax treatment used or planned to be used in its income tax filing. If it is not probable, the Company reflects the effect of uncertainty in its consolidated financial statements by estimating either the most likely amount or expected value.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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3. Material accounting policies (continued):

(e) Employee benefits:

(i) Defined contribution pension plan:

The defined contribution pension plan is a post-employment benefit plan under which the Company pays fixed contributions into the plan (that is a separate legal entity) that are held in trust for the benefit of its employees and will have no legal or constructive obligation to pay further amounts.

The cost of the defined contribution plan is the contribution provided by the Company and is recognized in income in the periods during which services are provided by employees.

(ii) Defined benefit plans:

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Company currently maintains two defined benefit plans: a Supplemental Executive Retirement Plan ("SERP") and a plan for Non-Pension Post-Retirement Benefits ("NPPRB"). The Company's obligation in respect of each plan is calculated separately.

For each plan, the Company has adopted the following policies:

Actuarial valuations of benefit liabilities for SERP and NPPRB plans are performed as at December 31 of each year using the projected unit credit method and based on management's assumptions including assumptions on the discount rate, rate of compensation increase, mortality and the trend in the health care cost rate. For the NPPRB plan, membership data is updated every three years.

Obligations for the SERP are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of termination, death or retirement, except that effective June 25, 2021, credited service in the SERP was frozen for six executives of the Company who participate in the SERP. Obligations for NPPRB are attributed to the period beginning on the employee's date of hire to the date the employee reaches the age of 55 and is eligible for benefits under the plan.

Actuarial gains and losses arising from changes in actuarial assumptions used to determine the benefit obligations or experience adjustments are recognized in OCI in the period in which they arise and are reported in retained earnings.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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3. Material accounting policies (continued):

Prior service costs arising from plan amendments are recognized in expense in the period in which the plan amendments are introduced.

The Company recognizes gains or losses on settlement of a defined benefit obligation when a settlement occurs. The gain or loss is comprised of any change in the present value of the defined benefit obligation and any changes in actuarial gains and losses that had not been previously recognized.

(iii) Short-term employee compensation and benefits:

Short-term employee compensation and benefit obligations, including the Company's short-term bonus, are measured on an undiscounted basis and are expensed as the related service is provided.

(iv) Share-based compensation:

The Company's share-based awards include stock options with tandem stock appreciation rights ("Options"), Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), and Executive Deferred Share Units ("EDSUs"). Recipients of Options have a choice of settlement in cash or shares of the Company. RSUs, PSUs and EDSUs are settled in cash. The Company has applied liability settlement treatment for all of its share-based compensation awards because all such awards are either settled in cash or provide employees or the Company with the option of settlement in cash or shares of the Company.

The fair value of the share-based awards is recognized as compensation expense over the relevant vesting period, with a corresponding adjustment to share-based compensation liabilities. The liabilities are re-measured at each reporting date and the settlement date. Any changes in the fair value of the liabilities are recognized as compensation expense.

Options are measured at fair value using the Black-Scholes valuation model. RSUs, PSUs, and EDSUs are measured at the fair value of the Company's Class A Common Shares at the end of each reporting period.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

RSUs, PSUs, and EDSUs may participate in dividend equivalents at the discretion of the Company's Board of Directors. Dividend equivalents are calculated based on the fair value of the Company's Class A Common Shares on the date the dividend equivalents are credited to the RSU, PSU, or EDSU account.

Share-based awards are recorded as expense only to the extent that management expects such awards to vest based on service and performance conditions attached to the share-based awards.

(v) Termination benefits:

Termination benefits are recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit or the Company recognizes restructuring costs within the scope of IAS 37 - Provisions, contingent liabilities and contingent assets.

(f) Share capital:

Common shares and preferred shares are classified as equity in the consolidated statements of financial position. Incremental costs directly attributable to the issue of common and preferred shares are recognized as a deduction from equity, net of any tax effects.

(g) Foreign currency translation:

Transactions in foreign currencies are translated to Canadian dollars at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at period end rates. Foreign currency differences arising on translation are recognized in income.

Investment in foreign associates with functional currency other than the Canadian dollar are translated into Canadian dollars using the period-end exchange rate. The Company's share of the profit or loss of foreign associates is translated using the average exchange rate 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 foreign associate.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

(h) Fair value measurement:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is applied to all fair value measurements including non-financial assets and liabilities that are measured at or based on fair value in the consolidated statements of financial position. The Company's fair value hierarchy is disclosed in note 19.

(i) Debt outstanding:

Debt outstanding is accounted for at amortized cost. Any premium or discount incurred in connection with issuance of debt as well as debt issuance costs are capitalized to the cost of the debt and amortized over the respective term of the debt using the effective interest method.

(j) Intangible assets:

(i) Goodwill:

Goodwill arises upon the acquisition of subsidiaries. Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets:

Intangible assets are recognized at cost less accumulated amortization and accumulated impairment losses. The Company's intangible assets consist of computer application software that is not an integral part of related hardware. Subsequent expenditures that increase application software functionality are recognized in the carrying amount of intangible assets if they embody future economic benefit to the Company. All other costs including day-to-day servicing of intangible assets are expensed as incurred. Amortization is recognized in expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The estimated useful lives for the current and comparative periods is 5 years.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

(iii) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets, including the Company's intangible assets, are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less expected selling costs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For purposes of goodwill impairment testing, the comparison of estimated recoverable amount to carrying amount is performed on the Company's single cash-generating unit ("CGU"), which is its mortgage insurance business. Impairment losses are recognized in income in the period in which the impairment is determined. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of goodwill and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis. An impairment loss in respect of goodwill is not reversed if the estimated recoverable amount increases.

(k) Leases:

The Company leases office buildings, vehicles and office equipment.

The Company applies IFRS 16 to the accounting for leases. IFRS 16 provides a single on balance sheet lease accounting model for lessees. At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and recognizes a right-of-use asset and a lease liability at the lease commencement date. The Company elects not to separate lease and non-lease components and to account for them as a single lease component.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

3. Material accounting policies (continued):

The lease liability is initially measured at the present value of lease payments that are outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimated amount expected to be payable under a residual value guarantee, a lease contract is modified, and the lease modification is not accounted for as a separate lease, or if the Company revises its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the right-of-use asset has been reduced to zero, the adjustment is recognized immediately in income.

To account for lease modifications, the right-of-use asset and lease liability are reduced by their relative amounts compared to the original lease by recognizing the difference in the statement of income. The lease liability is re-measured using a revised discount rate with an offset to the right-of-use asset. For all other lease modifications, the lease liability is re-measured using a revised discount rate and the right-of-use asset is remeasured by the same amount with no impact to the statement of income.

The right-of-use asset is initially measured at the amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term.

The lease term includes the periods covered by the option to extend if the Company is reasonably certain that the option to extend the lease will be exercised. The right-of-use asset is adjusted for certain re-measurements of the lease liability and reduced by impairment losses, if any.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value. The lease payments for these leases are treated as an expense on a straight-line basis over the lease term.

The Company presents its right-of-use assets and lease liabilities separately in the consolidated statements of financial position.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

4. Changes in accounting and reporting standards:

(a) Amended standards and interpretations effective January 1, 2024:

The Company adopted the following amendments to IFRS accounting standards effective in 2024, which had no impact in the Company's consolidated financial statements:

- Amendments to IAS 1: Presentation of financial statements - Classification of liabilities as current or non-current.
- Amendments to IFRS 16: Lease liability in a sale and leaseback.
- Amendments to IAS 1 : Presentation of financial statements - Non-current liabilities with covenants.
- Amendments to IAS 7: Statement of cashflows and IFRS 7 Financial instruments: Disclosures - Supplier finance arrangements.

(b) Future accounting and reporting standards, amendments, and interpretations:

The following amendments have been issued by the International Accounting Standards Board (IASB) but are not yet effective in preparing these consolidated financial statements. The Company has not early adopted any of these amendments.

Effective January 1, 2025:

- Amendments to IAS 21: The effects of changes in foreign exchange rates- Lack of exchangeability.

Effective January 1, 2026:

- Amendments to IFRS 9 and IFRS 7: Classification and measurement of financial instruments.
- Annual improvements to IFRS Accounting Standards: Volume 11 were issued on July 18, 2024. It contains amendments to five standards as a result of the IASB's annual improvements project.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2024 and 2023

4. Changes in accounting and reporting standards (continued):

Effective January 1, 2027:

- IFRS 18: Presentation and disclosure in financial statements ("IFRS 18") - IFRS 18 was issued on April 9, 2024 and will replace IAS 1: Presentation of Financial Statements ("IAS 1"). It includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.
- IFRS 19: Subsidiaries without public accountability: Disclosures ("IFRS 19") - IFRS 19 was issued on May 9, 2024 and specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.

The Company is currently assessing the impact of these new standards and amendments to existing standards to Consolidated financial statements.

(c) Sustainability and climate-related reporting standards:

On June 26, 2023, The International Sustainability Standards Board (ISSB) issued its first two sustainability reporting standards:

- General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), which is the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- Climate-related Disclosures (IFRS S2), which is the first thematic standard, and sets out requirements for entities to disclose information about climate-related risks and opportunities.

These standards included an effective date of January 1, 2024.

On December 18, 2024, the Canadian Sustainability Standards Board (CSSB) released Canada's inaugural sustainability disclosure standards - (CSDS) 1: General Requirements for Disclosure of Sustainability-related Financial Information" and "Proposed CSDS 2: Climate-related Disclosures". These proposed standards aim to set a new benchmark for the disclosure of sustainability-related information to serve the public interest and uphold the quality of sustainability disclosure in Canada.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

4. Changes in accounting and reporting standards (continued):

Overall, the CSSB's objective aligns the CSDS standards with the ISSB IFRS S1 and S2 except for modifications relating to a proposed effective date of January 1, 2025, and certain transition reliefs.

The application of CSDS 1 and 2 remains voluntary until mandated by the appropriate authorities. To become mandatory disclosures under securities legislation in Canada, the CSSB standards would need to be incorporated into a Canadian Securities Administration ("CSA") rule. The CSA continues to work towards a revised climate-related disclosure rule that will consider the CSSB Standards and may include modifications considered appropriate for the Canadian capital markets. The CSA is taking a climate-first approach and therefore is focusing on those requirements necessary to support a climate-related disclosure rule.

In 2025, the CSA will publish a revised rule for public comment and anticipates seeking comment on specific issues, including the scope of application and the need for additional time or guidance for reporting issuers to comply with certain disclosure requirements. They also anticipate consulting on concerns regarding liability with respect to new requirements for climate-related disclosure.

The Company is actively monitoring and participating in industry discussions on sustainability and climate related disclosures as well as assessing the impact of these sustainability reporting requirements on its financial statements.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts:

(a) Insurance revenue:

Insurance revenue is comprised of the following:

	Year ended December 31,	
	2024	2023
Amounts relating to the changes in the liability for remaining coverage:		
Expected insurance service expenses incurred in the period ⁽¹⁾	\$ 87,202	\$ 73,149
Change in the risk adjustment for non-financial risk	93,346	105,912
Contractual service margin (CSM) recognized for services provided	583,630	482,446
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows	83,873	68,703
Insurance revenue	\$ 848,051	\$ 730,210

⁽¹⁾Expected insurance service expenses include future cash flows for expected losses on claims, claims handling expenses, and policy maintenance expenses.

(b) Insurance service expenses:

Insurance service expenses are comprised of the following:

	Year ended December 31,	
	2024	2023
Net losses on claims	36,156	38,032
Incurred policy maintenance expenses	25,466	23,908
Amortization of insurance acquisition cash flows	83,873	68,703
Insurance service expenses	\$ 145,495	\$ 130,643

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(c) Effects of contracts initially recognized in the year:

The following table summarizes the effect on the measurement components of insurance contracts arising from the initial recognition of groups of contracts that were initially recognized in the year. There were no onerous groups of insurance contracts issued during the years ended December 31, 2024 and December 31, 2023.

	December 31, 2024	December 31, 2023
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	\$ 151,958	\$ 117,477
Insurance acquisition cash flows paid at inception of contract	90,891	82,169
Premiums received at inception of contract	(775,494)	(612,184)
Estimates of present value of net future cash inflows	(532,645)	(412,538)
Risk adjustment for non-financial risk	184,587	158,104
Contractual service margin	348,058	254,434
Loss recognized on initial recognition	\$ —	\$ —

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(d) Movements in carrying amounts - analysis by measurement component:

	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	All other contracts	Total
Insurance contract liabilities as at January 1, 2024	\$ 510,372	\$ 634,829	\$ 262,337	\$ 1,155,065	\$ 2,562,603
Changes in the statement of income and statement of comprehensive income for the year ended December 31, 2024:					
Changes that relate to current services:					
Contractual service margin recognized for services provided	—	—	(114,402)	(469,228)	(583,630)
Change in risk adjustment for non-financial risk recognized for the risk expired	—	(93,346)	—	—	(93,346)
Experience adjustments	(8,413)	—	—	—	(8,413)
Changes that relate to future services:					
Contracts initially recognized in the period	(532,645)	184,587	—	348,058	—
Changes in estimates that adjust the contractual service margin	(71,997)	(131,719)	88,714	115,002	—
Changes that relate to past services:					
Adjustments to liabilities for incurred claims	(17,112)	(55)	—	—	(17,167)
Insurance service result	(630,167)	(40,533)	(25,688)	(6,168)	(702,556)
Insurance finance expenses	39,656	46,460	4,810	45,032	135,958
Total changes in the statement of income and statement of comprehensive income for the year ended December 31, 2024	(590,511)	5,927	(20,878)	38,864	(566,598)
Cash flows for the year ended December 31, 2024:					
Premiums received	775,494	—	—	—	775,494
Claims and other expenses paid	(55,638)	—	—	—	(55,638)
Insurance acquisition cash flows	(90,891)	—	—	—	(90,891)
Total cash flows	628,965	—	—	—	628,965
Insurance contract liabilities as at December 31, 2024	\$ 548,826	\$ 640,756	\$ 241,459	\$ 1,193,929	\$ 2,624,970

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

	Estimates of the present value of future cash flows	Risk adjustment	Contractual service margin	Fair value approach	All other contracts	Total
Insurance contract liabilities as at January 1, 2023	\$ 476,437	\$ 792,643	\$ 221,432	\$ 1,086,454	\$	2,576,966
Changes in the statement of income and statement of comprehensive income for the year ended December 31, 2023:						
Changes that relate to current services:						
Contractual service margin recognized for services provided	—	—	(102,811)	(379,635)		(482,446)
Change in risk adjustment for non-financial risk recognized for the risk expired	—	(111,140)	—	—		(111,140)
Experience adjustments	(19,033)	—	—	—		(19,033)
Changes that relate to future services:						
Contracts initially recognized in the period	(412,538)	158,104	—	254,434		—
Changes in estimates that adjust the contractual service margin	(28,397)	(271,865)	139,656	160,606		—
Changes that relate to past services:						
Adjustments to liabilities for incurred claims	8,327	4,725	—	—		13,052
Insurance service result	(451,641)	(220,176)	36,845	35,405		(599,567)
Insurance finance expenses	30,130	62,362	4,060	33,206		129,758
Total changes in the statement of income and statement of comprehensive income for the year ended December 31, 2023	(421,511)	(157,814)	40,905	68,611		(469,809)
Cash flows for the year ended December 31, 2023:						
Premiums received	612,184	—	—	—		612,184
Claims and other expenses paid	(74,569)	—	—	—		(74,569)
Insurance acquisition cash flows	(82,169)	—	—	—		(82,169)
Total cash flows	455,446	—	—	—		455,446
Insurance contract liabilities as at December 31, 2023	\$ 510,372	\$ 634,829	\$ 262,337	\$ 1,155,065	\$	2,562,603

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(e) Movements in carrying amounts - analysis by remaining coverage and incurred claims:

	Liability for remaining coverage	Excluding loss component	Loss component	Liability for incurred claims	Total
Insurance contract liabilities as at January 1, 2024	\$ 2,521,008	\$	—	\$ 41,595	\$ 2,562,603
Changes in the statement of income and statement of comprehensive income for the year ended December 31, 2024:					
Insurance revenue:					
Contracts under fair value approach	(152,618)			—	(152,618)
Contracts under full retrospective approach	(695,433)			—	(695,433)
Insurance service expenses:					
Incurred claims and other expenses	—			78,789	78,789
Changes to liability for incurred claims	—			(17,167)	(17,167)
Amortization of insurance acquisition cash flows	83,873			—	83,873
Insurance service result	(764,178)			61,622	(702,556)
Insurance finance expenses	135,092			866	135,958
Total changes in the statement of income and statement of comprehensive income for the year ended December 31, 2024	(629,086)			—	(566,598)
Cash flows for the year ended December 31, 2024:					
Premiums received	775,494			—	775,494
Claims and other expenses paid	—			(55,638)	(55,638)
Insurance acquisition cash flows	(90,891)			—	(90,891)
Total cash flows	684,603			(55,638)	628,965
Insurance contract liabilities as at December 31, 2024	\$ 2,576,525	\$	—	\$ 48,445	\$ 2,624,970

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
Insurance contract liabilities as at January 1, 2023	\$ 2,523,362	\$ —	\$ 53,604	\$ 2,576,966
Changes in the statement of income and statement of comprehensive income for the year ended December 31, 2023:				
Insurance revenue:				
Contracts under fair value approach	(168,263)	—	—	(168,263)
Contracts under full retrospective approach	(561,947)	—	—	(561,947)
Insurance service expenses:				
Incurred claims and other expenses	—	—	48,888	48,888
Changes to liability for incurred claims	—	—	13,052	13,052
Amortization of insurance acquisition cash flows	68,703	—	—	68,703
Insurance service result	(661,507)	—	61,940	(599,567)
Insurance finance expenses	129,138	—	620	129,758
Total changes in the statement of income and statement of comprehensive income for the year ended December 31, 2023	(532,369)	—	62,560	(469,809)
Cash flows for the year ended December 31, 2023:				
Premiums received	612,184	—	—	612,184
Claims and other expenses paid	—	—	(74,569)	(74,569)
Insurance acquisition cash flows	(82,169)	—	—	(82,169)
Total cash flows	530,015	—	(74,569)	455,446
Insurance contract liabilities as at December 31, 2023	\$ 2,521,008	\$ —	\$ 41,595	\$ 2,562,603

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(f) Contractual service margin

The following table illustrates when the Company expects to recognize the remaining contractual service margin as insurance revenue after the reporting date:

CSM recognized	Within 1 year	1-2 years	2-3 years	3-5 years	5-10 years	Over 10 years	Total
December 31, 2024	420,802	302,048	212,376	247,950	189,635	62,577	\$ 1,435,388
December 31, 2023	427,219	300,340	213,390	246,927	182,922	46,604	\$ 1,417,402

(g) Liability for incurred claims:

Liability for incurred claims is comprised of the following:

	December 31, 2024	December 31, 2023
Case reserves	\$ 44,933	\$ 41,556
IBNR reserves	18,587	18,339
Borrower recoveries	(9,197)	(10,428)
Subrogation rights related to real estate	(13,772)	(15,921)
Claim handling expenses	2,433	2,362
Discounting	(1,073)	(798)
Risk adjustment	6,534	6,485
Liability for incurred claims	\$ 48,445	\$ 41,595

The carrying value of the liability for incurred claims reflects the present value of expected claims costs net of recoveries, attributable expenses and risk adjustments and is considered to be an indicator of fair value. There is no ready market for the trading of liability of claims and the value agreed between parties in an arm's-length transaction may be materially different.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(h) Material accounting judgements, estimates and assumptions:

(i) Level of aggregation:

The Company defines a portfolio as insurance contracts subject to similar risks and managed together. Contracts within the same product line are expected to be in the same portfolio as they have similar risks and are managed together. The Company determined the level of aggregation by evaluating series of contracts with similar profitability characteristics assessed based on reasonable and supportable information.

The Company applies judgment when distinguishing between onerous contracts, contracts that have no significant possibility of becoming onerous and other profitable contracts. The Company determined that it does not have insurance contracts that are onerous or have no significant possibility of becoming onerous at December 31, 2024 and December 31, 2023.

Overall, the Company has determined that all its insurance contracts belong to a single portfolio because they are subject to the same risks and are managed together.

(ii) Measurement of insurance contracts liabilities – Liability for remaining coverage: Estimates of undiscounted future cashflows:

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group including future losses on claims net of recoveries, insurance acquisition expenses arising from selling and underwriting an insurance contract, claims handling expenses and policy maintenance expenses. These expense cash flows include an allocation of fixed and variable overheads.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

The Company's objective in estimating future claims cash flows, using the GMM, is to determine the expected value of a range of scenarios that reflects a full range of possible outcomes. The Company uses stochastic modelling techniques to estimate the expected value of claims cash flows. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios. An Economic Scenario Generator ("ESG") is used to generate the possible economic scenarios. In estimating expected claims cash flows, the Company uses a proprietary loss projection model incorporating, in an unbiased way, the economic scenarios generated by the ESG and all reasonable and supportable information that is available at the reporting date. This information includes historical data about claims experience.

The most significant assumptions used in the economic scenarios are estimates of unemployment and home prices. The assumptions selected by the Company represent its current best estimates and assessment of risk and are monitored on an ongoing basis. Changes in the economic environment are likely to result in changes to the actuarial assumptions, which could materially impact the insurance contract liabilities.

- (iii) Measurement of insurance contracts liabilities – Liability for remaining coverage: Determination of risk adjustments for non-financial risk:

The Company determines risk adjustment for non-financial risk using a confidence level technique. Applying the confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the determined percentile (the target confidence level) over the expected present value of the future cash flows. The determined percentile is subsequently evaluated based on the Company's Enterprise Risk Management ("ERM") framework and may vary at each reporting date. At December 31, 2024, the risk adjustment was determined using the 87th percentile (December 31, 2023 – 87th percentile).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

- (iv) Measurement of insurance contracts liabilities – Liability for remaining coverage: Contractual service margin ("CSM") and coverage unit determination:

The CSM is the estimated embedded profit in the contract and is recognized in insurance revenue to reflect services provided in each period based on the number of coverage units. Coverage units are determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date. The selection of the appropriate method for determining the amount of coverage units involves the exercise of judgment and development of estimates considering current and future economic variables.

The Company determines coverage units based on Loss Given Default ("LGD") which approximates the potential claim severity amount for each insured mortgage using its estimated home price. The Company defines LGD as outstanding mortgage principal balance and expected costs of foreclosure, less the expected value of the property securing the claim.

The CSM recognition pattern, which is based on coverage units, is significantly impacted by estimates of future home prices. The Company deems the expected recognition pattern to be the best representation of service provided.

- (v) Measurement of insurance contracts liabilities – Liability for incurred claims: Estimates of undiscounted future cashflows:

Future cash flows relating to the LIC are estimated in respect of individual case reserves and IBNR.

Case reserves represent the amount needed to provide for the expected ultimate net cost of settling claims including adjustment expenses related to defaults by borrowers. In determining the ultimate claim amount, the Company estimates the expected recovery from the property securing the insured loan and the loss adjustment expenses incurred in the claim settlement process. The ultimate expected claim amount is influenced significantly by housing market conditions, changes in property values, and the condition of properties in default. This process involves risks that actual results will deviate, perhaps substantially, from the best estimates made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liability.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

The Company establishes a reserve for IBNR based on the reporting lag from the date of first missed payment to the reporting date for mortgages in default that have not been reported to the Company. IBNR is calculated using estimates of expected claim frequency and claim severity based on the most current available historical loss data adjusted for seasonality.

The establishment of the liability for incurred claims is based on known facts and interpretation of circumstances. The principal methodologies and assumptions underlying liability for incurred claims are as follows:

Claim frequency:

Claim frequency is the number of delinquencies (both reported and unreported) that are expected to result in paid claims, after the deduction of estimated cures. A cure is defined as a reported delinquency that is resolved with no claim payment or only nominal loss adjustment expenses. Claim frequency is influenced by labour market performance and changes in house prices. The Company typically estimates claim frequency for case reserves by analyzing individual reported delinquencies. The Company estimates claim frequency for IBNR delinquencies by applying average delinquency-to-paid-claim ratios to historical reported delinquencies, derived from tracking and analyzing loss development over time.

Claim severity:

Claim severity refers to the magnitude of each delinquent file and is influenced by the performance of the housing market and will increase in a period of property value declines or decrease in periods of property value appreciation. The Company estimates claim severity for case reserves by analyzing individual reported delinquencies, including obtaining valuations for the properties securing claims. The Company estimates claim severity for IBNR delinquencies based on historical claim amounts.

Variables that affect the determination of liability for incurred claims are the receipt of additional claim information and other internal and external factors such as the performance of the housing market, changes in claims handling procedures, significant claim reporting lags, and uncertainties regarding the condition of properties at the time of initial loss reserve quantification.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

- (vi) Measurement of insurance contracts liabilities – Liability for incurred claims:
Determination of risk adjustments for non-financial risk:

The Company estimates the risk adjustment for non-financial risk in respect of the LIC based on an assessment of the adequacy of the Company's liability for future cash flows and with reference to the current and future expected condition of the Canadian housing market and its impact on the development of losses. Risk adjustment for non-financial risk is determined by applying actuarially determined risk adjustment factors to the liability for future cash flows.

- (vii) Determination of discount rates, including credit risk adjustments:

In determining discount rates for discounting insurance contracts liabilities, the Company applies the top-down approach. Applying this approach, the Company uses the discount rate derived from market rates of return implied in the fair value of a reference portfolio of assets and adjusts it to exclude the effects of risks present in the assets, but not in the insurance cash flows, except for the differences in liquidity, which need not be eliminated. One of the key sources of estimation uncertainty is estimating the market risk premiums for credit risk that are only relevant to assets included in the reference portfolio, but not to the insurance contracts portfolio. The market risk premiums for credit risk are calculated based on the proportion of individual financial instruments' market value within the reference portfolio that is attributed to credit risk.

In addition, the Company exercises judgment to assess similarities between the characteristics of a reference portfolio of assets for which observable market information is available and the characteristics of the insurance contracts being measured.

The table below sets out the discount rates used to discount the cash flows of insurance contract liabilities.

	December 31,	December 31,
Discount rates ⁽¹⁾	2024	2023
Current discount rate	4.09 %	4.44 %
Locked-in discount rate	4.39 %	4.88 %

⁽¹⁾Insurance contracts liabilities are discounted based on the current discount rate. Interest accretion is recognized as insurance finance expense in income based on the locked-in discount rate while the effect of changes in discount rates is recognized as insurance finance income or expense in OCI.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(i) Sensitivity analysis:

Sensitivity analysis on liability for remaining coverage:

The Company expects that the size of the CSM and the timing of insurance revenue recognition will be significantly influenced by actual and projected economic variables including changes in home prices, unemployment rates and discount rates.

The table below analyses how the income before taxes, CSM and equity would have increased (decreased) if changes in key assumptions used in estimating the liability for remaining coverage, that were considered reasonably possible at the reporting date, had occurred. This analysis presents the sensitivities by varying each key assumption and assumes that all other variables remain constant:

December 31, 2024	Change Indicator ⁽²⁾	Change in Assumptions	Income before Taxes	CSM	Equity
Projected HPI ⁽¹⁾	Relative	+1%	\$ 23,645	\$ 11,757	\$ 16,466
Projected Unemployment Rate	Absolute	+1%	(14,590)	(47,507)	(10,477)
Discount Rate	Absolute	+1%	—	—	34,246
Projected HPI ⁽¹⁾	Relative	-1%	\$ (23,377)	\$ (12,967)	\$ (16,233)
Projected Unemployment Rate	Absolute	-1%	10,970	34,128	7,789
Discount Rate	Absolute	-1%	—	—	(36,626)

⁽¹⁾Home Price Index.

⁽²⁾An absolute change refers to a simple difference in the indicator while a relative change expresses the change as a percentage of the value of the indicator.

December 31, 2023	Change Indicator	Change in Assumptions	Income before Taxes	CSM	Equity
Projected HPI	Relative	+1%	\$ 18,406	\$ 18,322	\$ 11,704
Projected Unemployment Rate	Absolute	+1%	(8,336)	(30,289)	(5,632)
Discount Rate	Absolute	+1%	—	—	31,459
Projected HPI ⁽¹⁾	Relative	-1%	\$ (21,529)	\$ (16,741)	\$ (13,944)
Projected Unemployment Rate	Absolute	-1%	7,009	23,667	4,499
Discount Rate	Absolute	-1%	—	—	(33,534)

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

Sensitivity analysis on liability for incurred claims:

Sensitivity analyses are conducted to quantify the exposure to changes in ultimate losses due to the changes in frequency and /or severity of loss. The following sensitivity analysis is performed for reasonable possible movements in the liability for incurred claims that may result from changes in ultimate losses on claims, showing the impact on income before taxes and equity.

December 31, 2024	Change in Assumptions	Change Indicator ⁽¹⁾	Income before taxes	Equity
Ultimate losses on claims	+10%	Relative \$	9,545 \$	7,054
	-10%	Relative	(9,545)	(7,054)

⁽¹⁾A relative change expresses the change as a percentage of the value of the indicator.

December 31, 2023	Change in Assumptions	Change Indicator	Income before taxes	Equity
Ultimate losses on claims	+10%	Relative \$	(9,509) \$	(7,027)
	-10%	Relative	9,059	7,027

Claims development:

Loss reserves are established to reflect an estimate of the ultimate cost of claim settlement as at the reporting date. Given the uncertainty in establishing the outstanding loss reserves, it is likely that the final outcome will be different than the original liability established. Claims development refers to the financial adjustment in the current period relating to claims incurred in previous periods because of new and more up-to-date information that has become available and to reflect changes in assumptions. The Company's financial performance is significantly influenced by the economy. Actual emergence of losses could differ significantly from best estimates in a period as a result of changes in economic conditions. A deterioration in economic conditions and a decline in home prices could cause unfavourable loss development. Conversely, improvement in economic conditions and strengthening of housing markets could cause favourable loss development.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

The table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the carrying value of the liability for incurred claims included in the statement of financial position.

Estimates of undiscounted ultimate net losses on claims	2019	2020	2021	2022	2023	2024	Total
At the end of default year	\$129,811	\$125,651	\$50,929	\$43,980	\$54,118	\$ 54,374	
One year later	110,481	56,375	35,710	27,611	32,672	—	
Two years later	99,840	52,094	37,660	31,764	—	—	
Three years later	99,298	53,772	40,011	—	—	—	
Four years later	96,133	53,933	—	—	—	—	
Five years later	92,971	—	—	—	—	—	
Cumulative estimate of losses on claims and expenses incurred to date	\$ 92,971	\$53,933	\$40,011	\$31,764	\$32,672	\$ 54,374	\$ 305,725
Cumulative payments to date	\$(91,568)	\$(53,636)	\$(40,129)	\$(30,817)	\$(33,915)	\$ (6,142)	\$ (256,207)
Current estimate of unpaid claims and expenses incurred ⁽¹⁾	1,403	297	(118)	947	(1,243)	48,232	49,518
Effect of discounting							(1,073)
Liability for incurred claims included in the statement of financial position						\$	48,445
Current estimate of surplus/(deficiency)	\$ 36,840	\$71,718	\$10,918	\$12,216	\$21,446	\$	—
% surplus (deficiency) of initial reserve	28 %	57 %	21 %	28 %	40 %	0%	

⁽¹⁾Claims incurred include case and IBNR reserves net of subrogation recoverable.

Conditions and trends that have affected the development of liabilities in the past may or may not occur in the future and, accordingly, conclusions about future results may not necessarily be derived from the information presented in the table above.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

Insurance risk:

The Company is exposed to insurance risk from underwriting of mortgage insurance contracts. Mortgage insurance contracts transfer risk to the Company by indemnifying lending institutions against credit losses arising from the default by borrowers on mortgages. Under a mortgage insurance policy, a lending institution is insured against risk of loss for the entire unpaid principal balance of a loan plus interest, customary mortgage enforcement and property management costs, and expenses related to the sale of the underlying property. Insurance risk impacts the amount, timing and certainty of cash flows arising from insurance contracts.

The Company has identified pricing risk, underwriting risk, claims management risk, loss reserving risk and insurance portfolio concentration risk as its most significant sources of insurance risk. Each of these risks is described separately below.

(i) Pricing risk:

Pricing risk arises when actual claims experience differs from the assumptions included in the determination of premium rates. The Company's premium rates vary with the perceived risk of a claim on an insured loan, which takes into account the Company's long-term historical loss experience on loans with similar loan-to-value ratios, terms and types of mortgages, borrower credit histories and capital required to support the product.

Before the Company introduces a new product, it establishes specific performance targets, including delinquency rates and loss ratios, which the Company monitors frequently to identify any deviations from expected performance so that it can take corrective action when necessary. These performance targets are adjusted periodically to ensure they reflect the current environment.

The Company is subject to minimum regulatory capital requirements under the Insurance Companies Act and PRMHIA (note 16). If regulatory capital requirements increase, the Company's financial performance could be adversely impacted and pricing could be inadequate relative to the Company's regulatory capital requirements.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(ii) Underwriting risk:

Underwriting risk is the risk that the Company's underwriting function will underwrite mortgage insurance under terms that do not comply with the Company's pre-established risk guidelines, resulting in inappropriate risk acceptance by the business.

The underwriting results of the mortgage insurance business can fluctuate significantly due to the cyclical nature of the Canadian mortgage market. The mortgage market is affected primarily by housing supply and demand, interest rates, and general economic factors including unemployment rates.

The Company's risk management function establishes underwriting guidelines based on the Company's risk appetite. The underwriting process enables assessment of high loan-to-value applications on a loan-by-loan basis, taking into account a broad range of factors and ensuring compliance with the underwriting guidelines. The underwriting guidelines are reviewed and updated regularly to manage the Company's exposures and to address emerging trends in the housing market and economic environment. Authority levels for underwriting decisions are assigned by the Company's Operations Management function within the established authority level framework and monitored by the Risk Management function. Underwriters are given authority to approve mortgage insurance applications based on their experience and levels of proficiency. Underwriter performance is continuously assessed through first-line quality control reviews in addition to quality assurance reviews of the Underwriting function by the Risk Management function to facilitate continuous improvement or remedial action where necessary.

The Company maintains an extensive historical database and innovative information technology systems to facilitate underwriting decisions. Specifically, the Company uses a mortgage scoring model that employs a number of evaluation criteria to assign a score to each mortgage loan which is an indicator of the likelihood of a future claim. This evaluation includes criteria such as borrower credit scores, loan details, debt servicing ratios, property characteristics and loan-to-value.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(iii) Claims management risk:

The Company enforces a policy of actively managing and promptly settling claims in order to reduce exposure to unpredictable future developments that can adversely impact losses. The Company has two primary loss mitigation programs. The Homeowner Assistance Program is designed to help homeowners who are experiencing temporary financial difficulties that may prevent them from making timely payments on their mortgages. Initiatives currently employed under the Homeowner Assistance Program include capitalizing arrears, deferring payments for a specified period, arranging a partial payment plan, and increasing a mortgage's amortization period. The Asset Management Program is designed to accelerate the conveyance of the rights to real estate properties to the Company in select circumstances. This strategy allows for better control of the property marketing process, potential reduction of carrying costs and potential of realization of a higher property sales price.

In addition to its current loss mitigation programs in place, under its agreement with lending institutions, the Company has the right to recover losses from borrowers once a claim has been paid. The Company actively pursues such recoveries.

(iv) Loss reserving risk:

Loss reserving risk is the risk that the LIC differs significantly from the ultimate amount paid to settle claims, principally due to additional information received and external factors that influence claim frequency and severity (including performance of the Canadian housing market).

The Company reviews its LIC and reserving assumptions on an ongoing basis and updates the LIC as appropriate. Management has established procedures to evaluate the appropriateness of reserves, which include a review of the LIC by the Company's Appointed Actuary.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

(v) Insurance portfolio concentration risk:

The Company is exposed to changes in housing market performance and trends by geographic region and the concentration of geographic risk may change over time.

A national or regional economic downturn may increase the likelihood that borrowers will not have sufficient income to make their mortgage payments and can also adversely affect home values, which increases the severity of the Company's losses. Portfolio concentration risk is the risk that losses increase disproportionately where portfolio concentrations exist.

The exposure to insurance portfolio concentration risk is mitigated by a portfolio that is diversified across geographic regions. The Company's mortgage insurance risk management involves actively managing its borrower credit quality, product and geographic exposures. The Company monitors portfolio concentrations by borrower credit quality, product and geography against pre-determined risk tolerances, taking into account the conditions of the housing market and economy in each region of Canada and utilizes this data to customize underwriting guidelines and loss mitigation initiatives by region. Additional scrutiny is given to geographic regions where property values are particularly sensitive to an economic downturn. The Risk Management team analyzes and summarizes mortgage portfolio performance, risk concentrations, emerging trends and remedial actions, which are reviewed with the Company's management-level Insurance Risk Committee on a regular basis.

The Company is currently monitoring the potential impact of affordability pressures driven from elevated levels of interest rates and inflation on the Canadian economy, in particular with regard to the housing and labour markets.

The following table presents the Company's concentration of insurance risk by region based on premiums written in each year.

	2024			2023		
Ontario	\$	223,842	29 %	\$	198,736	33 %
Alberta		188,838	24 %		141,945	23 %
British Columbia		62,435	8 %		57,324	9 %
Quebec		171,260	22 %		119,699	20 %
Other		129,119	17 %		94,480	15 %
	\$	775,494	100 %	\$	612,184	100 %

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

5. Insurance contracts (continued):

The following table presents the Company's concentration of insurance risk by region based on outstanding mortgage balances as at December 31, 2024 and 2023.

	2024	
Ontario	\$ 71,736,551	37 %
Alberta	44,327,136	23 %
British Columbia	22,757,821	12 %
Quebec	29,625,632	15 %
Other	25,399,194	13 %
	\$ 193,846,334	100 %
	2023	
Ontario	\$ 72,805,589	39 %
Alberta	43,823,634	23 %
British Columbia	22,839,048	12 %
Quebec	27,891,589	14 %
Other	24,997,246	12 %
	\$ 192,357,106	100 %

Own Risk and Solvency Assessment:

The Insurance Subsidiary follows an Own Risk and Solvency Assessment ("ORSA") framework in accordance with OSFI Guideline E-19: Own Risk and Solvency Assessment. The primary purpose of ORSA is for an insurer to establish its internal targets based on the internal assessment of all material risks and to assess the adequacy of its current and likely future capital needs and solvency position relative to these risks.

The Company's risk management framework facilitates compliance with ORSA through the identification and assessment of risks and the ongoing monitoring and management of risks. The objective of the framework and related internal control procedures is to ensure risks are within the Company's defined risk appetite and tolerance and to achieve profitable underwriting results. There have been no significant changes to the Company's insurance risk management policies at December 31, 2024 compared to December 31, 2023.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments:

The Company's invested assets are presented in the table below:

	December 31, 2024			
	Carrying value	Amortized cost	Unrealized gain (loss)	% total carrying value
Cash and cash equivalents:				
Canadian federal government treasury bills	\$ 33,535	\$ 33,538	\$ (3)	0.5
Cash ⁽¹⁾	320,541	320,541	—	5.1
Total cash and cash equivalents	354,076	354,079	(3)	5.6
Investments carried at amortized cost:				
Private credit loans	149,456	149,456	—	2.4
Investments carried at fair value:				
Short-term investments:				
Canadian federal government treasury bills	4,981	4,977	4	0.1
Alternative assets ⁽²⁾	64,394	65,717	(1,323)	1.0
Government bonds and debentures:				
Canadian federal government	1,287,594	1,310,683	(23,089)	20.3
Canadian provincial and municipal governments	671,121	679,043	(7,922)	10.6
Total government bonds and debentures	1,958,715	1,989,726	(31,011)	30.9
Corporate bonds and debentures:				
Financial	559,211	562,903	(3,692)	8.8
Utility	497,025	503,475	(6,450)	7.9
Energy	304,358	307,374	(3,016)	4.8
Infrastructure	152,265	155,044	(2,779)	2.4
All other sectors	890,852	905,412	(14,560)	14.1
Total corporate bonds and debentures	2,403,711	2,434,208	(30,497)	38.0
Collateralized loan obligations	906,050	904,142	1,908	14.3
Total bonds and debentures	5,268,476	5,328,076	(59,600)	83.2
Preferred shares:				
Financial	278,294	268,238	10,056	4.4
Utility	116,477	114,531	1,946	1.8
Energy	78,753	69,654	9,099	1.2
All other sectors	17,680	16,698	982	0.3
Total preferred shares	491,204	469,121	22,083	7.7
Total investments	\$ 6,332,587	\$ 6,371,426	\$ (38,839)	100.0

⁽¹⁾Cash and cash equivalents include \$3,940 of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities.

⁽²⁾As at December 31, 2024, alternative assets is comprised of an investment in the Brookfield Infrastructure Debt Fund III ("BID III"), which is a vehicle for debt investments in high quality infrastructure assets. The Company has committed to an investment of \$75 million USD in BID III.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

December 31, 2023					
	Carrying value	Amortized cost	Unrealized gain (loss)	% total carrying value	
Cash and cash equivalents:					
Canadian federal government treasury bills	\$ 259,390	\$ 259,508	\$ (118)	4.0	
Cash ⁽¹⁾	192,355	192,355	—	3.0	
Total cash and cash equivalents	451,745	451,863	(118)	7.0	
Investments carried at amortized cost:					
Private credit loans	81,644	81,644	—	1.3	
Investments carried at fair value:					
Short-term investments:					
Canadian federal government treasury bills	18,090	18,099	\$ (9)	0.3	
Alternative assets ⁽²⁾	48,327	48,327	—	0.7	
Private credit loans	5,647	5,427	220	0.1	
Government bonds and debentures:					
Canadian federal government	1,423,397	1,480,740	(57,343)	22.2	
Canadian provincial and municipal governments	663,844	680,486	(16,642)	10.3	
Total government bonds and debentures	2,087,241	2,161,226	(73,985)	32.5	
Corporate bonds and debentures:					
Financial	591,327	613,724	(22,397)	9.2	
Utility	484,185	503,297	(19,112)	7.5	
Energy	295,922	306,309	(10,387)	4.6	
Infrastructure	105,788	110,856	(5,068)	1.7	
All other sectors	817,788	850,447	(32,659)	12.7	
Total corporate bonds and debentures	2,295,010	2,384,633	(89,623)	35.7	
Collateralized loan obligations	941,402	949,492	(8,090)	14.7	
Total bonds and debentures	5,323,653	5,495,351	(171,698)	82.9	
Preferred shares:					
Financial	313,872	361,668	(47,796)	4.9	
Utility	101,019	115,224	(14,205)	1.6	
Energy	59,715	66,661	(6,946)	0.9	
All other sectors	17,182	16,698	484	0.3	
Total preferred shares	491,788	560,251	(68,463)	7.7	
Total investments	\$ 6,420,894	\$ 6,660,962	\$ (240,068)	100.0	

⁽¹⁾As at December 31, 2023, cash includes \$92,163 of collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in accounts payable and accrued liabilities.

⁽²⁾As at December 31, 2023, alternative assets is comprised of an investment in the Brookfield Infrastructure Debt Fund III ("BID III"), which is a vehicle for debt investments in high quality infrastructure assets. The Company has committed to an investment of \$75 million USD in BID III.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

6. Investments (continued):

For the period ended and as at December 31, 2024						
	Carrying value (fair value)			Carrying value		
	Financial instruments mandatorily classified as FVTPL	Financial instruments classified as FVOCI	Financial instruments optionally designated as FVOCI	Financial instruments measured at Amortized cost	Total carrying amount	Total Amortized Cost
Financial Assets:						Unrealized gain (loss)
Cash and cash equivalents	\$	\$	\$	\$	\$	\$
Bonds and debentures	41,945	5,226,531	—	—	5,268,476	(59,600)
Alternative assets	64,394	—	—	—	64,394	(1,323)
Private credit loans	—	—	—	149,456	149,456	—
Short-term investments:	—	4,981	—	—	4,981	4
Preferred shares ⁽¹⁾	112,320	—	378,884	—	491,204	22,083
Derivative financial instruments	27,335	—	—	—	27,335	27,335
Accrued investment income and other receivables	—	—	—	121,905	121,905	—
Total financial assets	245,994	5,265,047	378,884	591,902	6,481,827	(11,504)
Financial liabilities:						
Account payable and accrued liabilities	—	—	—	148,508	148,508	—
Derivative financial instruments	130,752	—	—	—	130,752	130,752
Debt outstanding	—	—	—	921,548	921,548	—
Total financial liabilities	\$ 130,752	\$ —	\$ —	\$ 1,070,056	\$ 1,200,808	\$ 130,752

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Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

6. Investments (continued):

For the period ended and as at December 31, 2023

(1)The Company elected to designate preferred shares without a non-viable contingency clause at FVOCI to reduce volatility in the statement of income from the fluctuation of market prices of the preferred shares. Preferred shareholders with a non-viable contingency clause do not qualify for the OCI election.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

The carrying value of short-term investments, bonds and debentures, alternative assets and private credit loans, are shown by contractual maturity of the investment⁽¹⁾.

	December 31, 2024	December 31, 2023
Terms to maturity:		
Federal, provincial and municipal bonds and debentures and short-term investments:		
1 year or less	\$ 489,037	\$ 226,460
1 - 3 years	536,117	981,634
3 - 5 years	331,259	293,285
5 - 10 years	421,330	447,270
Over 10 years	185,953	156,682
	1,963,696	2,105,331
Corporate bonds and debentures and collateralized loan obligations:		
1 year or less	237,329	263,285
1 - 3 years	895,260	664,725
3 - 5 years	947,353	1,030,207
5 - 10 years	1,118,373	1,166,314
Over 10 years	111,446	111,881
	3,309,761	3,236,412
Private credit loans and alternative assets:		
1 year or less	9,455	10,312
1 to 3 Years	18,642	23,579
3 to 5 Years	37,656	26,220
5 to 10 Years	57,845	9,346
Over 10 Years	90,252	66,161
	213,850	135,618
	\$ 5,487,307	\$ 5,477,361

⁽¹⁾Certain bonds and collateralized loan obligations have prepayment features that may cause actual maturities to be shorter than contractual maturities.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

(a) Investments denominated in foreign currencies:

	December 31, 2024	December 31, 2023
Investments denominated in U.S. dollars:		
Collateralized loan obligations	\$ 906,050	\$ 941,402
Emerging market bonds	462,331	461,073
Global bonds	288,017	265,691
U.S. high-yield bonds	302,512	270,032
Alternative assets	64,394	48,327
Private credit loans	116,612	72,674
	2,139,916	2,059,199
Investment denominated in Euro:		
Private credit loans	23,424	14,617
Investment denominated in Pound Sterling (GBP):		
Private credit loans	9,420	—
	\$ 2,172,760	\$ 2,073,816

(b) Expected credit loss assessment:

The following table reconciles the opening and closing allowance for expected credit losses for debt securities at FVOCI and Amortized Cost by stage. Reconciling items include the following:

- Transfers between stages, which are presumed to occur before any corresponding remeasurement of the allowance.
- Purchases and originations, which reflect the allowance related to assets newly recognized during the period.
- Derecognitions and maturities, which reflect the allowance related to assets derecognized during the period.
- Remeasurements, which are comprised of the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions and partial repayments; changes in the measurement following a transfer between stages; and unwinding of the time value discount due to the passage of time.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

During the year ended December 31, 2024 and 2023, there were no significant changes to the model used to estimate expected credit losses.

Allowance for credit losses	For the period ended December 31, 2024				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Balance at beginning of period	\$ 6,535	\$ 2,190	\$ —	\$	8,725
Provision for credit losses					
Transfer into (out of) to Stage 1	(13)	—	—		(13)
Transfer into (out of) to Stage 2	—	13	—		13
Transfer into (out of) to Stage 3	—	—	—		—
Purchase and originations	5,962	93	—		6,055
Derecognitions and maturities	(3,169)	(1,841)	—		(5,010)
Remeasurements	633	2,969	1,856		5,458
Balance at end of period	\$ 9,948	\$ 3,424	\$ 1,856	\$	15,228

Allowance for credit losses	For the period ended December 31, 2023				
	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Balance at beginning of period	\$ 6,468	\$ 2,213	\$ —	\$	8,681
Provision for credit losses					
Transfer into (out of) to Stage 1	414	—	—		414
Transfer into (out of) to Stage 2	—	(414)	—		(414)
Transfer into (out of) to Stage 3	—	—	—		—
Purchase and originations	2,057	—	—		2,057
Derecognitions and maturities	(1,381)	(983)	—		(2,364)
Remeasurements	(1,023)	1,374	—		351
Balance at end of period	\$ 6,535	\$ 2,190	\$ —	\$	8,725

Derivative financial instruments:

Derivative financial instruments are used by the Company for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio, subject to exposure limits specified within the Company's investment policy guidelines, which have been approved by the Board of Directors.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

The Company uses derivative financial instruments in the form of foreign currency forwards and cross currency interest rate swaps to mitigate foreign currency risk associated with bonds denominated in U.S. dollars and Euro. Foreign currency forwards and cross currency interest rate swaps are contractual obligations to exchange one currency for another at a predetermined future date.

The Company uses fixed-for-floating and floating-for-fixed interest rate swaps in conjunction with management of interest rate risk related to its fixed income investments. The fixed-for-floating interest rate swaps are derivative financial instruments in which the Company and its counterparties agree to exchange interest rate cash flows based on a specified notional amount from a fixed rate to a floating rate. Floating-for-fixed interest rate swaps exchange interest rate cash flows based on a specified notional amount from a floating rate to a fixed rate.

The following table shows the fair value and notional amounts of the derivative financial instruments by terms of maturity, in Canadian dollars:

				Notional amount				
December 31, 2024	Derivative asset	Derivative liability	Net fair value	1 year or less	1 - 3 years	3 - 5 years	Over 5 years	Total
Fair value through profit or loss:								
Foreign currency forwards	\$ 901	\$ (93,333)	\$ (92,432)	1,873,804	61,247	57,799	102,390	2,095,240
Cross currency interest rate swaps	3,927	(11,846)	(7,919)	40,745	64,514	—	98,488	203,747
Interest rate swaps	22,507	(25,573)	(3,066)	4,000,000	4,000,000	500,000	—	8,500,000
Total	\$ 27,335	\$(130,752)	\$(103,417)	5,914,549	4,125,761	557,799	200,878	10,798,987

December 31, 2023	Derivative asset	Derivative liability	Net fair value	Notional amount				Total
				1 year or less	1 - 3 years	3 - 5 years	Over 5 years	
Foreign currency forwards	\$ 57,772	\$ (12,144)	\$ 45,628	1,777,168	112,451	53,193	128,673	2,071,485
Cross currency interest rate swaps	1,971	(1,829)	142	24,174	73,278	31,981	98,488	227,921
Interest rate swaps	116,200	(118,727)	(2,527)	—	4,000,000	4,000,000	—	8,000,000
Total	\$ 175,943	\$(132,700)	\$ 43,243	1,801,342	4,185,729	4,085,174	227,161	10,299,406

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

Net (losses) gains on derivatives and foreign exchange in the statements of income consists of the following amounts:

	December 31, 2024	December 31, 2023
Unrealized foreign exchange gains (losses) on bonds and debentures denominated in U.S. dollars	\$ 131,251	\$ (63,487)
Unrealized (losses) gains on foreign currency forward and cross currency interest rate swap contracts ⁽¹⁾	(188,290)	40,873
Realized foreign exchange gains	52,686	14,076
Net losses on foreign exchange	(4,353)	(8,538)
Net losses on interest rate swap contracts	(2,280)	(142)
Net losses on derivatives and foreign exchange	\$ (6,633)	\$ (8,680)

⁽¹⁾Includes \$1,675 of net realized interest rate swap income related to contractual cash flows (2023 - \$1,088 net interest rate swap income).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

Securities lending:

The Company participates in a securities lending program through an intermediary that is a financial institution for the purpose of generating fee income. Non-cash collateral, in the form of U.S. or Canadian government securities by the intermediary, which is equal to at least 105% of the fair value of the loaned securities, is retained by the Company until the underlying securities have been returned to the Company.

The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the fair value of the underlying securities fluctuates. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties. The intermediary, which is an AA-rated financial institution, indemnifies the Company against any shortfalls in collateral.

In addition to earning fee income under the securities lending program, the Company continues to earn all interest, dividends and other income generated by the loaned securities while the securities are in the possession of counterparties.

These transactions are conducted under terms that are usual and customary to security lending activities, as well as requirements determined by exchanges where a financial institution acts as an intermediary.

As at December 31, 2024 and 2023 the Company had loaned the following investments under its securities lending program:

	December 31, 2024		December 31, 2023	
Cash equivalents	\$	10,709	\$	3,180
Short-term investments		—		1,307
Bonds and debentures		414,491		756,818
Preferred shares		13,811		14,402
	\$	439,011	\$	775,707

As at December 31, 2024, the Company has accepted eligible securities as collateral with a fair value of \$463,677 (December 31, 2023 - \$817,473).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

The following table presents the net realized gains (losses) on sale of investments, interest income, dividend income, and interest expense for each class of financial instrument by measurement category as recognized in the consolidated statements of income and comprehensive income.

Year ended December 31, 2024				
	Interest income	Dividend income	Net realized gains (losses) on investments	Interest expense
Financial instruments at Amortized cost:				
Cash and cash equivalents	\$ 12,588	\$ —	\$ —	\$ —
Private credit loans	13,312	—	29	—
Debt and lease liabilities	—	—	—	(39,947)
	25,900	—	29	(39,947)
Financial instruments at FVOCI:				
Cash and cash equivalents	2,782	—	30	—
Short term investments	1,977	—	34	—
Bonds and debentures	212,377	—	(11,719)	—
Preferred shares	—	21,230	—	—
	217,136	21,230	(11,655)	—
Financial instruments at FVTPL:				
Alternative assets	2,099	—	21	—
Private credit loans	582	—	2	—
Bonds and debentures	2,004	—	—	—
Preferred shares	—	7,508	12,722	—
	4,685	7,508	12,745	—
Miscellaneous income:				
Securities lending	346	—	—	—
Income (expense) for the period ended	\$ 248,067	\$ 28,738	\$ 1,119	\$ (39,947)

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

Year ended December 31, 2023				
	Interest income	Dividend income	Net realized gains (losses) on investments	Interest expense
Financial instruments at Amortized cost:				
Cash and cash equivalents	\$ 13,835	\$ —	\$ —	\$ —
Private credit loans	3,004	—	230	—
Debt and lease liabilities	—	—	—	(37,831)
	16,839	—	230	(37,831)
Financial instruments at FVOCI:				
Cash and cash equivalents	6,116	—	(454)	—
Short term investments	4,071	—	(182)	—
Bonds and debentures	203,532	—	(10,278)	—
Preferred shares	—	19,309	—	—
	213,719	19,309	(10,914)	—
Financial instruments at FVTPL:				
Alternative Assets	2,583	—	(21)	—
Private credit loans	489	—	1	—
Bonds and debentures	1,240	—	(78)	—
Preferred shares	—	8,174	—	—
	4,312	8,174	(98)	—
Miscellaneous income:				
Securities Lending	446	—	—	—
Income (expense) for the period ended	\$ 235,316	\$ 27,483	\$ (10,782)	\$ (37,831)

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

Material accounting judgements, estimates and assumptions:

(i) Classification of financial assets:

The Company applies judgment in the classification of financial assets, assessing the business model within which the financial assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.

In assessing SPPI, the Company analyzes the attributes of the financial assets, including reviewing information specified in the financial asset's prospectus, and determines whether any attributes are inconsistent with a basic lending arrangement and therefore do not meet the SPPI criterion. Examples of financial assets identified by the Company that do not meet the SPPI criterion include financial assets that contain a non-credit step up or step down provision, coupon/refix mismatch, and financial assets that contain a non-viable contingency clause.

In determining business models, the Company considers the following:

- The Company's Board-approved investment policies,
- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the business model and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

(ii) Impairment of financial assets - Determination of allowance for expected credit losses ("ECL"):

The Company recognizes an allowance for ECL on investments in debt instruments that are measured at FVOCI or Amortized Cost. For each debt instrument, ECL is determined as the probability of default ("PD"), multiplied by the loss given default and multiplied by the exposure at default ("EAD"). The ECL is discounted to present value at the reporting date.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

6. Investments (continued):

To estimate PD, the Company developed a PD model using historic global corporate default rates by bond rating and observable macroeconomics variables. When measuring PD, the Company considers the probability-weighted outcome based on various economic scenarios. Each scenario contains forward-looking estimates of several economic variables, including GDP growth and unemployment rate. LGD is determined by the Company based on industry studies. Changes to the PD and LGD assumptions that were possible at the reporting date are not expected to have a material impact in the Company's financial statements.

(iii) Impairment of financial assets - Assessing significant increase in credit risk:

The amount of the expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument.

Significant increase in credit risk is assessed using a staging matrix calibrated around the difference between the external credit risk rating at the reporting date and the credit rating at initial recognition.

Irrespective of the outcome of the assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has information that demonstrates otherwise.

The Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk has not increased significantly since initial recognition, the Company measures the ECL allowance for the financial instrument at an amount equal to 12-month ECL.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

7. Financial risk management:

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Company is exposed to credit risk primarily through its invested assets.

The total credit risk exposure at December 31, 2024 is \$6,127,751 (2023 - \$6,232,122), with the breakdown presented below.

	December 31, 2024	December 31, 2023
Short-term investments	\$ 4,981	\$ 18,090
Accrued investment income and other receivables	121,905	87,030
Bonds and debentures	5,268,476	5,323,653
Private credit loans and alternative assets	213,850	135,618
Preferred Shares	491,204	491,788
Derivative financial instruments in an asset position	27,335	175,943
	<u>\$ 6,127,751</u>	<u>\$ 6,232,122</u>

The Company's investment management strategy is to invest primarily in financial instruments of Canadian government agencies and other high-credit-quality issuers and to limit the amount of credit exposure with respect to any one issuer, business sector, or credit rating category, as specified in its investment policy. Credit quality of financial instrument issuers is assessed based on ratings supplied by rating agencies DBRS, Standard and Poor's, Moody's, Kroll Bond Rating Agency or Fitch.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2024 and 2023

7. Financial risk management (continued):

The breakdown of the Company's bonds and debentures, preferred shares, alternative assets, private credit loans and short-term investments by credit rating is presented below.

	December 31, 2024		December 31, 2023	
	Carrying value		Carrying value	
Credit rating	amount	%	amount	%
Bonds and debentures, short-term investments, private credit loans and alternative assets:				
AAA	\$1,922,416	35.0 %	\$1,981,221	36.2 %
AA	1,064,814	19.4 %	1,227,861	22.4 %
A	1,119,937	20.4 %	1,048,868	19.1 %
BBB	770,211	14.0 %	749,089	13.7 %
BB	339,520	6.2 %	296,228	5.4 %
B	128,046	2.3 %	115,789	2.1 %
Unrated	142,363	2.7 %	58,305	1.1 %
	5,487,307	100.0 %	5,477,361	100.0 %
Preferred Shares:				
P1	—	— %	2,564	0.5 %
P2	391,811	79.8 %	379,952	77.3 %
P3	99,393	20.2 %	109,272	22.2 %
	491,204	100.0 %	491,788	100.0 %
	\$5,978,511		\$5,969,149	

As at December 31, 2024, 74.8% of the Company's bonds and debentures were rated "A" or better, compared to 77.7% at December 31, 2023. The modest decrease in bonds and debentures that were rated 'A' or better is the result of an increase in U.S. high-yield bonds and private credit loans, which typically have lower credit ratings or are unrated. As at December 31, 2024 and December 31, 2023, all of the Company's preferred shares were rated P3 or better.

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Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

7. Financial risk management (continued):

(i) Concentration of credit risk:

Concentration of credit risk exists where a number of 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 specific industries.

The following table presents the Company's concentration of credit risk within its bond and debenture, short-term investment, alternative assets, private credit loan and preferred share portfolios by geographic region and by industry.

	2024			2023		
	Carrying value			Carrying value		
	amount	%		amount	%	
By country of issuance:						
Canada	\$ 3,805,751	63.7 %	\$ 3,895,333	65.3 %		
Other ⁽¹⁾	2,172,760	36.3 %	2,073,816	34.7 %		
	\$ 5,978,511	100.0 %	\$ 5,969,149	100.0 %		
By industry:						
Government	\$ 1,963,696	32.8 %	\$ 2,105,331	35.2 %		
Bank, insurance, and other financial institutions	837,505	14.0 %	905,199	15.2 %		
Energy - Direct ⁽²⁾	28,873	0.5 %	31,152	0.5 %		
Energy - Indirect ⁽²⁾	354,238	5.9 %	324,485	5.4 %		
Infrastructure	152,265	2.5 %	105,788	1.8 %		
Collateralized loan obligations	906,050	15.2 %	941,402	15.8 %		
Utilities	613,501	10.3 %	585,204	9.8 %		
Communications	290,029	4.9 %	262,777	4.4 %		
All other sectors	832,354	13.9 %	707,811	11.9 %		
	\$ 5,978,511	100.0 %	\$ 5,969,149	100.0 %		

⁽¹⁾As at December 31, 2024, Other is comprised of US dollar denominated assets representing: 42% Collateralized Loan obligations, 21% Emerging Market bonds, 13% global bonds, 14% U.S. high-yield bonds, 3% alternative assets and 5% private credit loans, 1% Euro and 1% GBP denominated assets. Collateralized Loan obligations are structured credit securities, collateralized by U.S. bank loans.

⁽²⁾Direct Energy securities have direct business correlation to the underlying commodity price movements and issuers of these securities are integrated oil and gas companies with large market capitalization. Indirect energy securities have issuers that are pipelines and distribution companies that are primarily regulated entities with stable cash flows.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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7. Financial risk management (continued):

Exposures to the financial and energy sectors are closely monitored by the Company and adjusted through periodic portfolio rebalancing as deemed necessary.

(ii) Derivative-related credit risk:

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

To mitigate credit risk related to derivative counterparties, the Company has adopted a policy whereby, upon signing the derivative contract, the counterparty is required to have a minimum credit rating of A-.

Netting is a technique that can reduce credit exposure from derivatives and is generally facilitated through the use of netting clauses in master derivative agreements. The netting clauses in a master derivative agreement 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 Company uses netting clauses in master derivative agreements to reduce derivative-related credit exposure.

The Company also uses collateral to manage derivative-related counterparty credit risk as governed by the International Swaps and Derivatives Association ("ISDA") agreement between the Company and its counterparties. Mark-to-market provisions in the Company's ISDA agreements with counterparties provide the Company with the right to request that the counterparty collateralize the current market value of its derivative positions when the value passes a specified exposure threshold.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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7. Financial risk management (continued):

As at December 31, 2024, the Company accepted collateral of \$10,056 from its counterparties consisting of \$3,940 cash and \$6,116 provincial government bonds and posted \$86,113 collateral to its counterparties in the form of \$34,759 Canadian federal government bonds, and \$51,354 in provincial bonds. As at December 31, 2023, the Company accepted collateral of \$205,532 from its counterparties consisting of \$92,163 cash, \$110,475 Canadian provincial government bonds and \$2,894 in federal government bonds.

Cash received from counterparties as collateral for derivative contracts is recognized within cash and cash equivalents, with a corresponding liability recognized within accounts payable and accrued liabilities in the consolidated statements of financial position. Securities received from counterparties as collateral are not recorded as assets. Securities delivered to counterparties as collateral for derivative financial instruments continue to be reflected as investment assets in the consolidated statements of financial position. The Company does not currently pledge cash to its counterparties as collateral for derivative contracts.

(b) Liquidity risk:

Liquidity risk is the risk of having insufficient cash resources to meet financial commitments and policy obligations as they fall due without raising funds at unfavorable rates or selling assets on a forced basis.

Liquidity risk arises from the Company's general business activities and in the course of managing its assets, liabilities and externally imposed capital requirements (note 16). The liquidity requirements of the Company's business have been met primarily by funds generated from operations including premiums written, investment income, investment asset maturities or sales and financing activities. Cash provided from these sources is used primarily for claim and loss adjustment expense payments, operating expenses, payment of dividends and interest, and repayments or repurchases of debt outstanding. To ensure liquidity requirements are met, the Company holds a portion of its invested assets in liquid securities. At December 31, 2024, the Company has cash and cash equivalents of \$350,136 excluding \$3,940 cash pledged as collateral to the Company from its derivative counterparties (2023 - \$359,582 excluding \$92,163 cash pledged as collateral to the Company from its derivative counterparties) and short-term investments of \$4,981 (2023 - \$18,090).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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7. Financial risk management (continued):

The table presented below summarizes the carrying value by the earliest contractual maturity of the Company's bonds and debentures, private credit loans, alternative assets and short-term investments.

		Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Total
2024	\$	735,821	\$ 1,450,019	\$ 1,316,268	\$ 1,597,548	\$ 387,651	\$ 5,487,307
2023	\$	500,057	\$ 1,669,938	\$ 1,349,712	\$ 1,622,930	\$ 334,724	\$ 5,477,361

The Company's preferred shares have been excluded from this table because they do not have a fixed contractual maturity. The Company owns two types of preferred shares, 5-year rate reset preferred shares and perpetual preferred shares. The 5-year rate reset preferred shares are shares whose dividends are set for a 5-year term based on a spread over the 5-year Government of Canada rate. These preferred shares reset every 5 years at which point the issuer has the option to call them at fair value or roll them over for another 5 years at a pre-determined spread plus the prevailing Government of Canada 5-year rate. The perpetual preferred shares are the traditional form of preferred shares in which the Company receives a fixed dividend either in perpetuity or until redeemed by the issuer according to a redemption schedule.

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7. Financial risk management (continued):

The table below shows the expected payout pattern of the Company's financial liabilities:

2024	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Total
Contractual discounted cash flows						
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	\$ 148,508	\$ —	\$ —	\$ —	\$ —	148,508
Debt Outstanding (principal amount)	—	282,000	200,000	444,000	—	926,000
Derivative financial liabilities:						
Derivative financial instruments	100,198	20,148	4,382	6,024	—	130,752
Total	\$ 248,706	\$ 302,148	\$ 204,382	\$ 450,024	\$ —	\$ 1,205,260

2023	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Total
Contractual discounted cash flows						
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	\$ 191,772	\$ —	\$ —	\$ —	\$ —	191,772
Debt Outstanding (principal amount)	—	282,000	200,000	444,000	—	926,000
Derivative financial liabilities:						
Derivative financial instruments	7,153	91,355	33,397	795	—	132,700
Total	\$ 198,925	\$ 373,355	\$ 233,397	\$ 444,795	\$ —	\$ 1,250,472

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Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2024 and 2023

7. Financial risk management (continued):

The following table provides the expected payout pattern of the Company's estimates of the present value of the future cash flows relating to insurance contract liabilities:

	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	Total
Estimates of present value of future cash flows (As at December 31, 2024)	\$ 63,431	\$ 139,367	\$ 138,040	\$ 186,712	\$ 21,276	\$ 548,826
Estimates of present value of future cash flows (As at December 31, 2023)	\$ 57,300	\$ 129,218	\$ 142,196	\$ 166,622	\$ 15,036	\$ 510,372

The Company does not have any amounts payable on demand relating to its insurance contract liabilities.

(c) Market risk:

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Company is exposed are interest rate risk and currency risk.

(i) Interest rate risk:

Fluctuations in interest rates have a direct impact on the market valuation of the Company's interest-sensitive assets. Short-term interest rate fluctuations will generally create unrealized gains or losses. Generally, the Company's investment income will be reduced during sustained periods of lower interest rates as higher-yielding investments are called, mature or are sold and the proceeds are reinvested at lower rates, and this will generally result in unrealized gains in the value of investments the Company continues to hold, as well as realized gains to the extent that the relevant investments are sold. During periods of rising interest rates, the market value of the Company's existing interest-sensitive assets will generally decrease and gains on investments will likely be reduced or become losses. The Company uses interest rate swaps in conjunction with the management of interest rate risk related to its fixed income investments.

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Notes to Consolidated Financial Statements (continued)
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7. Financial risk management (continued):

As at December 31, 2024, management estimates that an immediate hypothetical 100 basis point, or 1%, increase in interest rates would decrease the market value of the bonds and debentures, short-term investments, and alternative assets and preferred shares by approximately \$171,366 representing 2.94% of the \$5,829,055 fair value of these investments. Conversely, a decrease of 100 basis points in interest rates would increase the market value of bonds and debentures, short-term investments and preferred shares by approximately \$179,680 representing 3.08 % of the fair value,

As at December 31, 2023, management estimates that an immediate hypothetical 100 basis point, or 1%, increase in interest rates would result in a net decrease to the market value of the bonds and debentures, short-term investments and preferred shares by approximately \$146,507 representing 2.49% of the \$5,881,858 fair value of these investments. Conversely, a decrease of 100 basis points, or 1%, in interest rates would result in a net increase to the market value of the bonds and debentures, short-term investments and preferred shares by approximately \$139,899 representing 2.38% of the fair value.

Computations of the prospective effects of hypothetical interest rate changes are based on numerous assumptions and should not be relied on as indicative of future results. The analysis in this section is based on the following assumptions: (a) the existing level and composition of interest-sensitive assets will be maintained; (b) shifts in the yield curve are parallel; and (c) credit and liquidity risks have not been considered.

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Notes to Consolidated Financial Statements (continued)
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7. Financial risk management (continued):

Interest rate benchmark reform:

London Interbank Offered Rate ("LIBOR") values, including three-month LIBOR rates were discontinued on June 30, 2023 and replaced with the Secured Overnight Funding Rate ("SOFR"). SOFR is calculated as a volume-weighted median of transaction-level U.S. Treasury repurchase agreement data, reflecting borrowing costs in overnight borrowing collateralized by U.S. Treasury securities. As at December 31, 2023, the Company's transition from LIBOR is complete. The transition from LIBOR to SOFR did not have a material impact on the Company's financial statements.

Additionally, the Canadian Dollar Offered Rate ("CDOR") transitioned to the Canadian Overnight Repurchase Rate Average ("CORRA") on June 28, 2024. CORRA is the risk-free rate that measures the cost of borrowing cash overnight collateralized by Government of Canada treasury bills and bonds. CORRA is calculated as a volume-weighted average of eligible repurchase transactions conducted through designated brokers and dealers. As at December 31, 2024, the Company has transitioned its interest rate swap derivatives with a notional value of \$8,000,000, previously indexed to CDOR, to CORRA. The transition from CDOR to CORRA did not have material impact on the Company's financial statements.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

7. Financial risk management (continued):

(ii) Currency risk:

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk arising from investments denominated in foreign currencies. The vast majority of the Company's foreign denominated investments are denominated in U.S. dollars. Effective in the year ended December 31, 2024, the Company invested \$23,424 (2023 - \$14,167) in Euro and \$9,420 (2023 - nil) in GBP denominated investments. The Company uses foreign currency forward contracts and cross currency interest rate swaps to mitigate currency risk.

The following table presents the foreign-denominated financial assets and the derivative financial instruments used to reduce currency risk.

	December 31, 2024		December 31, 2023	
Bonds and debentures denominated in foreign currency ⁽¹⁾	\$	2,172,760	\$	2,073,816
Less: Foreign currency forward contract notional amount		2,095,240		2,071,485
Cross currency interest rate swap notional amount		203,747		227,921
Total derivative financial instrument notional amount		2,298,987		2,299,406
Net currency exposure from financial instruments	\$	(126,227)	\$	(225,590)

The Company does not have any exposure to foreign currency risk relating to its insurance contract liabilities.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

8. Income taxes:

The provision for income taxes is comprised of the following:

	2024	2023
Current tax:		
Current income taxes	\$ 220,643	\$ 233,538
Current income tax adjustments in respect of prior years	(976)	(637)
	219,667	232,901
Deferred tax:		
Origination and reversal of temporary differences	(14,154)	(60,287)
Total income tax expense	\$ 205,513	\$ 172,614

Income taxes recognized in OCI are comprised of the following:

	2024	2023
Net income tax charge related to financial assets measured at FVOCI	\$ 45,578	\$ 46,589
Net recovery related to insurance finance reserve	(10,401)	(13,647)
Income tax charge (recovery) related to re-measurement of employee benefit plan obligations	898	(970)
Total income tax charge recognized in OCI	\$ 36,075	\$ 31,972

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

8. Income taxes (continued):

Income taxes reflect an effective tax rate that differs from the statutory tax rate for the following reasons:

	2024	2023
Income before income taxes	\$ 811,082	\$ 684,357
Combined basic Canadian federal and provincial income tax rate	26.10 %	26.10 %
Income tax expense based on statutory income tax rate	\$ 211,692	\$ 178,617
Decrease in income tax resulting from:		
Non-taxable income	(4,637)	(5,586)
Income tax adjustments in respect of prior years	(1,542)	(417)
Income tax expense	\$ 205,513	\$ 172,614

The difference between the effective income tax rate and statutory tax rate in 2024 and 2023 is primarily attributable to non-taxable dividend income, partially offset by non-deductible share-based compensation expense.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

8. Income taxes (continued):

The following table describes the components of the deferred tax asset and deferred tax liability in the Company's consolidated statements of financial position:

	2024	2023
Deferred tax asset:		
Employee benefits	\$ 11,319	\$ 12,203
Insurance contract liabilities ⁽¹⁾	69,098	5,289
Tax losses available for carry forward	120,886	130,217
Lease liability	1,715	1,764
Expected credit loss allowance on financial assets measured at amortized cost	753	237
Financing costs	—	178
	\$ 203,771	\$ 149,888
Deferred tax liability:		
Right of use asset	(1,231)	(1,249)
Property and equipment and intangible assets	(6,098)	(5,851)
Financing costs	(245)	—
	\$ (7,574)	\$ (7,100)
Net Deferred tax asset	\$ 196,197	\$ 142,788

⁽¹⁾Includes impact of upfront taxation of CSM of \$153M (2023: \$87M).

The change in the composition of the deferred tax asset and deferred tax liability is as follows:

	Deferred tax asset		Deferred tax liability	
	2024	2023	2024	2023
Beginning of year	\$ 142,788	\$ 62,369	\$ —	\$ (22,630)
Recovery for the year	14,154	37,657	—	22,630
OCI recognized for the year	(2,689)	970	—	—
Benefit of corporate reorganization recognized in equity	41,944	41,792	—	—
End of year	\$ 196,197	\$ 142,788	\$ —	\$ —

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

8. Income taxes (continued):

Material accounting judgements, estimates and assumptions : Recognition and assessment of recoverability of deferred tax assets:

The Company applies judgment in assessing the recoverability of deferred tax assets through the evaluation of the availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be recovered and any tax planning that the Company has in place.

All deferred tax assets, including tax losses available for carryforward, have been recognized as at December 31, 2024 and 2023 as the Company has assessed it is probable that future taxable profits will be available against which the deferred tax benefits can be utilized and appropriate tax planning is in place to ensure all tax losses available for carryforward will be utilized.

Under IFRS 17, 90% of the CSM is not deductible for the Company in the period. The 10% deductible portion is intended to reflect future non-attributable expenses included as part of the CSM and will be included in income for tax purposes when the non-attributable expenses are incurred in the future. Although IFRS 17 accelerates the timing of recognition of income for Canadian tax purposes and may result in additional current tax expense in the period, the increase in current tax expense is offset by a deferred tax recovery, therefore having no impact on the Company's overall effective tax rate.

There is a five-year transition period from the 2023 taxation year to the 2027 taxation year related to the tax impacts of adopting IFRS 17.

New Tax Legislation:

Pillar 2:

The Organization for Economic Cooperation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalization of the global economy. BEPS Pillar Two model rules apply to multinational enterprises (MNE) with revenue in excess of 750 million Euro per their consolidated financial statements and can impose a Top-up Tax in a jurisdiction whenever the effective tax rate (ETR) is below a Minimum Rate of 15%.

These rules (the "Pillar 2 rules"), along with applicable reporting and filing requirements, were enacted under Canada's Global Minimum Tax Act on June 20, 2024 and are applicable as of January 1, 2024.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

8. Income taxes (continued):

The Company is part of an MNE group that is subject to reporting and filing requirements under Pillar 2. For the year ended December 31, 2024, the Company operates in a jurisdiction where the ETR is higher than 15%. There is no income tax impact for the year ended December 31, 2024 to the Company and the global top-up tax is not anticipated to have a material impact on the financial position of the Company.

In May 2023, IAS 12: Income taxes was amended to clarify requirements relating to the Pillar 2 rules. The amendments introduce a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar 2. The Company has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities.

EIFEL:

Bill C-59, which was enacted on June 2024, implements the interest deductibility limitations announced in the 2021 Canadian federal budget (the “EIFEL Rules”). The EIFEL Rules would have the effect of denying the deductibility of net interest and financing expenses for taxpayers that are corporations or trusts in certain circumstances where such taxpayers’ net interest and financing expenses exceed a fixed ratio of the taxpayer’s adjusted taxable income, or in certain circumstances where such taxpayer’s net interest and financing expenses exceed an alternative allocated group ratio amount. Where a taxpayer is determined to have excess interest and financing expenses under the EIFEL rules, the taxpayer will be required to include an amount in income in respect of that excess.

The EIFEL Rules apply in respect of taxation years beginning on or after October 1, 2023.

There is no income tax impact from the EIFEL rules to the Company for the year ended December 31, 2024.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

9. Related party transactions and balances:

(a) Transactions with key management personnel and Company directors:

Key management personnel are those persons having authority and responsibility for planning and directly controlling the activities of the Company.

Key management personnel's compensation includes base salary and performance-based compensation consisting of short-term incentive compensation and long-term share-based compensation benefits, retirement benefits and executive allowances. Short-term incentive compensation is dependent on the Company's performance against metrics that have been approved by the Company's Board of Directors and each manager's performance against his or her personal goals and objectives. Long-term share-based compensation grants may consist of any combination of Options, RSUs, PSUs and EDSUs (note 12). In addition to the defined contribution pension plan, a SERP is maintained to provide pension benefits to key management personnel in excess of the amounts payable under the Company's registered pension plan. Effective May 3, 2021, no new or re-hired employees shall be permitted to participate in the SERP. Effective June 25, 2021, credited service in the SERP was frozen for six executives of the Company. The Company's short and long-term compensation plans are subject to the Company's compensation recoupment policy, which can be applied in limited circumstances at the discretion of the Company's Board of Directors.

The Company has standard policies in place to cover various forms of termination. Key management personnel are subject to the same terms and conditions as all other employees of the Company for resignation and termination for cause.

Compensation for the Company's seven key management personnel and eleven directors (2023 - eight key management personnel and eleven directors) consists of the following:

		2024		2023
Short-term employee benefits	\$	5,419	\$	5,695
Post-employment benefits		235		242
Share-based compensation		4,557		6,112
Director fees		1,244		1,306
Total compensation	\$	11,455	\$	13,355

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

9. Related party transactions and balances (continued):

(b) Interest in consolidated subsidiaries:

The following table identifies all of the investees in the Company's reporting structure and the Company's percentage of direct and indirect ownership of the investees. Holdings I and Holdings II have been incorporated pursuant to the laws of Nova Scotia. MIC Holdings M Company and Sagen International Holdings Inc. have been incorporated pursuant to the laws of Ontario. All other investees have been incorporated pursuant to the federal laws of Canada.

Investee	Type of ownership	Ownership interest
Holdings I	Direct	100 %
Holdings II	Direct	100 %
MIC Holdings M Company	Direct	100 %
Sagen International Holdings Inc.	Direct	100 %
Insurance Subsidiary	Indirect through Holdings I and Holdings II	100 %
MICICC	Indirect through Holdings I, Holdings II and the Insurance Subsidiary	100 %

Through its sole ownership interest in these investees, the Company has the ability to make decisions on behalf of the investees and has control of the investees. As control has been established, the Company is required to consolidate the investees.

The Insurance Subsidiary and MICICC are regulated insurance companies governed by the provisions of the Insurance Company Act ("the Act"), which is administered by OSFI. The Insurance Subsidiary is also subject to legislation under PRMHIA. As such, these investees are subject to certain requirements and restrictions contained in PRMHIA and the Act. The Insurance Subsidiary and MICICC are required under the Act to meet a MICAT to support their outstanding mortgage insurance policies in force. Accordingly, the payment of dividends and other distributions by such regulated entities to the Company are subject to compliance with the MICAT and other applicable regulatory requirements.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

9. Related party transactions and balances (continued):

(c) Other related party transactions:

In the year ended December 31, 2024, the Company paid ordinary and special dividends of \$695,000 to Brookfield (2023- \$453,000).

On December 10, 2024, as part of a corporate reorganization undertaken for tax purposes, the Company issued 5,704 Class A Common Shares in the amount of \$20,972 to Falcon Intermediate Holdings Corporation, a Brookfield subsidiary and the Company's direct shareholder, to acquire Falcon AA Holdings Inc.. Falcon AA Holdings Inc. was subsequently wound up into the Insurance Subsidiary in order for the Company to gain access to its accumulated tax losses available for carryforward. Additionally, an amount of \$20,972 was recognized directly in share capital related to incremental tax benefits realized by the Company as a result of this transaction.

On December 12, 2023, as part of a corporate reorganization undertaken for tax purposes, the Company issued 6,038 Class A Common Shares in the amount of \$20,901 to Falcon Intermediate Holdings Corporation, a Brookfield subsidiary and the Company's direct shareholder, to acquire Falcon Sub 5 Corporation. Falcon Sub 5 Corporation was subsequently wound up into the Company in order for the Company to gain access to its accumulated tax losses available for carryforward. Additionally, an amount of \$20,901 was recognized directly in share capital related to incremental tax benefits realized by the Company as a result of this transaction.

During the year ended December 31, 2024 and 2023, the Company has in place service relationships with Brookfield subsidiaries and affiliates Brookfield Asset Management Private Institutional Capital Adviser US LLC, Brookfield Asset Management Private Institutional Capital Adviser (Canada) L.P, Oaktree Capital Management L.P, Brookfield subsidiary Brookfield Public Securities Group LLC and Brookfield Asset Management Reinsurance Advisor LLC to provide investment management services for certain investment portfolios. Additionally, RPS Real Property Solutions Inc. provides property valuation services used by the Company for underwriting purposes and Brookfield Asset Management Private Institutional Capital Adviser (Private Equity), L.P. provides IT consulting services. All of these arrangements are undertaken at market terms and conditions.

The Company incurred aggregate charges of \$4,749 in the year ended December 31, 2024 (December 31, 2023 - \$3,513) for services provided by Brookfield entities. The net balance owing for the services as at December 31, 2024 is \$1,000 (December 31, 2023 - \$95).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

9. Related party transactions and balances (continued):

Due to internal policies of Brookfield and those of its institutional partners in respect of the investment in the Company, employees of Brookfield and such institutional partners who serve on the Company's Board are prohibited from personally receiving director fees from the Company. Consequently, the Company has agreed to pay director fees and other related amounts otherwise owing to such directors directly to Brookfield. During the year ended December 31, 2024, the Company paid \$506 in director fees to Brookfield (December 31, 2023 - \$522).

The Company has in place a derivatives agreement and has executed a cross currency swap with Falcon Holdings Acquisition Corporation. All outstanding balances with related parties to the derivatives agreement are unsecured and settled within six months of the reporting date. Details of the cross-currency interest rate swap are disclosed in the table below:

Notional amount								
December 31, 2024	Derivative asset	Derivative liability	Net fair value	1 year or less	1–3 years	3–5 years	Over 5 years	Total
Fair value through profit or loss:								
Cross currency interest rate swap ⁽¹⁾	—	(2,714)	(2,714)	—	—	—	49,244	49,244
Notional amount								
December 31, 2023	Derivative asset	Derivative liability	Net fair value	1 year or less	1–3 years	3–5 years	Over 5 years	Total
Fair value through profit or loss:								
Cross currency interest rate swap ⁽¹⁾	119	—	119	—	—	—	49,244	49,244

⁽¹⁾At December 31, 2024, the derivative-related interest receivable from Falcon Holdings Acquisition Corporation is \$8 (December 31, 2023 - \$3).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

10. Leases:

The Company's lease portfolio includes leased premises and vehicles. Information about the leases for which the Company is a lessee is presented below.

Right-of-use assets:

Right-of-use assets	Leased premises		Vehicles		Total	
	2024	2023	2024	2023	2024	2023
Beginning balance	\$ 4,700	\$ 5,332	\$ 230	\$ 230	\$ 4,930	\$ 5,562
Additions	—	—	499	212	499	212
Disposals	—	(79)	(29)	(40)	(29)	(119)
Depreciation expense	(532)	(553)	(171)	(172)	(703)	(725)
Ending Balance	\$ 4,168	\$ 4,700	\$ 529	\$ 230	\$ 4,697	\$ 4,930

Lease liabilities:

Lease liabilities	Leased premises		Vehicles		Total	
	2024	2023	2024	2023	2024	2023
Beginning balance	\$ 6,759	\$ 7,496	\$ 235	\$ 239	\$ 6,994	\$ 7,735
Additions	—	—	499	213	499	213
Disposals	—	—	(33)	(42)	(33)	(42)
Principal repayments	(865)	(886)	(194)	(184)	(1,059)	(1,070)
Interest expense	134	149	36	9	170	158
Ending Balance	\$ 6,028	\$ 6,759	\$ 543	\$ 235	\$ 6,571	\$ 6,994

The Company incurred an expense of \$62 (2023 - \$36) for low value, short term and variable lease payments that are not included in lease liabilities.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

11. Employee benefits:

Defined contribution pension benefit plan:

The Company's eligible employees participate in a registered defined contribution pension plan. Employees are entitled to accumulated pension benefits immediately upon hire. As plan sponsor, the Company is responsible for contributing a predetermined amount to an employee's retirement savings, based on a percentage of that employee's salary.

The cost of the defined contribution pension plan is recognized as compensation expense as services are provided by employees.

The defined contribution pension plan is subject to regulation under the Pension Benefits Act (Ontario) and the Canadian Income Tax Act.

Defined benefit plans:

The Company maintains two types of defined benefit plans: a SERP and a NPPRB.

The SERP is an unregistered, non-contributory supplemental pension plan that supplements the registered defined contribution plan for certain employees. Benefit entitlement under the SERP is based on a final average earnings target. The SERP has immediate vesting. Employees eligible for SERP participation are entitled to accumulated pension benefits immediately upon hire. Effective May 3, 2021, no new or rehired employees shall be permitted to participate in the SERP. Effective June 25, 2021, credited service in the SERP was frozen for six executives of the Company. The NPPRB plan provides medical and life insurance coverage to employees after retirement. Certain employees are also entitled to dental benefits under this plan. Participation in the NPPRB plan is limited to employees who joined the Company before January 1, 2016.

The benefit liabilities for these plans represent the amount of pension and non-pension post retirement benefits that employees and retirees have earned as at year end.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

11. Employee benefits (continued):

Plan membership data used in the valuations includes the number of plan members and the average age, service period and pensionable earnings of plan members. For the SERP, actuarial valuations for the years ended December 31, 2024 and 2023 are based on plan membership data as at the respective period ends. The weighted average duration of the SERP is 15 years. For the NPPRB plan, actuarial valuations for the years ended December 31, 2024 and 2023 are based on plan membership data as at August 1, 2021. The weighted average duration of the NPPRB plan is 18 years.

The plans are unfunded with no specific assets backing the plans. The Company is the sponsor of these plans. Pension and benefit payments related to these plans are paid directly by the Company at the time the benefits are due.

The SERP and NPPRB plans are unregistered and are not subject to specific legislation.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

11. Employee benefits (continued):

Benefit plan governance:

The Company's Board of Directors has oversight of the SERP, NPPRB and defined contribution plans. The Pension Committee, which is comprised of executive-level employees of the Company, reports to the Board of Directors on all pension-related matters related to the SERP and defined contribution pension plans. Senior management reports to the Board of Directors on NPPRB related matters. Part of the Pension Committee and Management's broader mandate is to identify risks associated with the plans and to recommend appropriate policies and procedures to mitigate and manage these risks to the Board of Directors for approval. Once approved by the Board of Directors, the policies and procedures are implemented by the Company.

The accrued net benefit liabilities in respect of the SERP and NPPRB are recognized in the Company's consolidated statements of financial position and the maturity profile of the plans is demonstrated in the following table:

	SERP		NPPRB		Total	
	2024	2023	2024	2023	2024	2023
Accrued net benefit liabilities of active plan members	\$ 4,523	\$ 4,970	\$ 5,919	\$ 8,553	\$ 10,442	\$ 13,523
Net benefit liabilities of retirees and deferred vested benefit recipients	16,049	16,436	5,010	4,382	21,059	20,818
Accrued net benefit liabilities under employee benefit plans	\$ 20,572	\$ 21,406	\$ 10,929	\$ 12,935	\$ 31,501	\$ 34,341

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

11. Employee benefits (continued):

Pension and non-pension post retirement benefits are recognized in employee compensation in the consolidated statements of income and are determined as follows:

	Pension plans		NPPRB		Total	
	2024	2023	2024	2023	2024	2023
Defined benefit expense:						
Benefits earned by employees	\$ —	\$ 90	\$ 306	\$ 271	\$ 306	\$ 361
Interest costs on accrued benefit liability	964	959	586	592	1,550	1,551
Defined benefit expense for the year	964	1,049	892	863	1,856	1,912
Defined contribution expense for the year	2,370	2,332	—	—	2,370	2,332
Total pension and non-pension post-retirement benefit expense for the year	\$ 3,334	\$ 3,381	\$ 892	\$ 863	\$ 4,226	\$ 4,244

The actuarial gains recognized in the consolidated statements of comprehensive income relating to the SERP are \$820 for the year ended December 31, 2024 (December 31, 2023 - actuarial losses of \$2,752). The actuarial gains recognized in the consolidated statements of comprehensive income relating to the NPPRB plan are \$2,621 (December 31, 2023 - actuarial losses of \$962).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

11. Employee benefits (continued):

Changes in the estimated financial positions of the SERP and NPPRB plans are as follows:

	SERP		NPPRB		Total	
	2024	2023	2024	2023	2024	2023
Accrued net benefit liabilities						
under employee benefit plans, beginning of year	\$ 21,406	\$ 18,424	\$ 12,935	\$ 11,345	\$ 34,341	\$ 29,769
Benefits earned by employees during the year	—	90	306	271	306	361
Interest costs on accrued liability incurred during the year	964	959	586	592	1,550	1,551
Benefits paid to pensioners during the year	(978)	(819)	(277)	(235)	(1,255)	(1,054)
Experience (gains) losses	(720)	826	(1,653)	(132)	(2,373)	694
Changes in assumptions						
Financial assumptions	(100)	1,926	136	1,132	36	3,058
Demographic assumptions	—	—	(1,104)	(38)	(1,104)	(38)
Actuarial (gains) losses from plan re-measurement	(820)	2,752	(2,621)	962	(3,441)	3,714
Accrued net benefit liabilities under employee benefit plans	\$ 20,572	\$ 21,406	\$ 10,929	\$ 12,935	\$ 31,501	\$ 34,341

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

11. Employee benefits (continued):

Material accounting judgements, estimates and assumptions:

The Company's external actuaries perform valuations of the benefit liabilities for these plans as at December 31 of each year using assumptions determined by Management. The actuarial valuations include assumptions about discount rates, rates of compensation increase, mortality rates and the trend in the health care cost rate. If actual experience differs from the assumptions used, the expected obligation could increase or decrease in future years.

The significant weighted average assumptions used to determine benefit liabilities are as follows:

	SERP		NPPRB	
	2024	2023	2024	2023
Discount rate	4.70%	4.60%	4.80%	4.60%
Change in rate of compensation increase	3.00%	3.00%	3.00%	3.00%
Mortality	75% of male rates and 92% of female rates from the CPM 2014 Private Sector Table	75% of male rates and 92% of female rates from the CPM 2014 Private Sector Table	CPM2014 Private Sector Table	CPM2014 Private Sector Table
Assumed overall health care cost trend rate ⁽¹⁾	n/a	n/a	5.31%	5.48%

⁽¹⁾Grading down to 4.0% per year in and after 2040.

The discount rate was determined by the Company with reference to AA credit-rated bonds that have maturity dates approximating the Company's obligation terms at period end and are denominated in the same currency as the benefit obligations.

The rate of compensation increase was based on Management's expectation for the long-term compensation growth rate.

Assumptions regarding life expectancy were based on the standard Canadian private sector table published in 2014 by the Canadian Institute of Actuaries ("CPM2014 Private Sector Table"), adjusted for generational mortality improvements based on the results of subsequent studies.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

11. Employee benefits (continued):

Sensitivity analyses:

The following sensitivity analyses demonstrate the impact of a reasonable possible change in each significant valuation assumption as at December 31, 2024 and 2023 on the benefit obligations.

	SERP		NPPRB	
	2024	2023	2024	2023
Increase (decrease) in benefit obligations:				
Discount rate:				
Impact of 1% increase	\$ (2,621)	\$ (2,801)	\$ (1,237)	\$ (1,552)
Impact of 1% decrease	\$ 3,257	\$ 3,501	\$ 1,656	\$ 1,963
Change in rate of compensation increase:				
Impact of 1% increase	\$ —		n/a	n/a
Impact of 1% decrease	\$ —		n/a	n/a
Mortality rate:				
Impact of 1 additional year of life expectancy	\$ (406)	\$ (398)	\$ 259	\$ 296
Impact of 1 less year of life expectancy	\$ 392	\$ 384	\$ (250)	\$ (284)
Assumed overall health care cost trend rate:				
Impact of 1% increase	\$ —		\$ 507	\$ 610
Impact of 1% decrease	\$ —		\$ (590)	\$ (689)

This sensitivity analysis is hypothetical. Actual experience may differ from expected experience. For the purpose of this analysis, all other assumptions were held constant.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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11. Employee benefits (continued):

Benefit plan cash flows:

The SERP and NPPRB plans are unfunded. The Company pays these benefits as they become due.

Cash payments made by the Company during the year in connection with employee benefit plans are as follows:

	Pension plans		NPPRB	
	2024	2023	2024	2023
Benefits paid for defined benefit plans	\$ 978	\$ 819	\$ 277	\$ 235
Contribution to defined contribution plan	2,370	2,332	—	—
	\$ 3,348	\$ 3,151	\$ 277	\$ 235

The Company expects to contribute the following amounts to its employee benefit plans during the annual period beginning after December 31, 2024:

Defined contribution plan	\$ 2,585
SERP	985
NPPRB	344
Total	\$ 3,914

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

12. Share-based compensation:

The Company's long-term share-based compensation plan includes Options, RSUs, PSUs and EDSUs.

The RSUs entitle employees to receive an amount equal to the fair value of the Company's Class A Common Shares at the end of a three-year period. The PSUs entitle employees to receive an amount equal to the fair value of the Company's Class A Common Shares at the end of a three-year period if the Company achieves a specified level of financial results. Performance measures associated with PSU grants include return on equity and operating income on a pre-tax basis. The average of the performance measures taken over the three-year performance period is used to determine the extent to which performance conditions are met. EDSUs entitle employees to receive an amount equal to the fair value of the Company's Class A Common Shares. EDSUs may be redeemed only upon retirement or termination of employment.

For RSUs and PSUs granted prior to April 1, 2021, employees and directors receive settlement of RSUs and PSUs in either cash or Class A Common Shares of the Company at the discretion of the Board of Directors. For RSUs and PSUs granted after April 1, 2021 and EDSU's, employees and directors receive settlement in cash. The RSUs, PSUs and EDSUs may also receive dividend equivalents at the discretion of the Board of Directors.

The Option Plan provides for the awarding of Options and associated Share Appreciation Rights to certain employees. The Options vest over a period of five years and expire at the earlier of 10 years from the date of grant or the employee's termination date and provide employees with the choice of settlement in either cash or shares of the Company. To preserve the value of Option grants when dividends are paid by the Company, the Option exercise price is reduced by the proportionate dividend per share.

The Company's compensation plans, including its share-based compensation plans, are subject to the Company's compensation recoupment policy, which can be applied in limited circumstances at the discretion of the Company's Board of Directors.

The Company has reserved 100,000 common shares of its issued and authorized shares for issuance under these long-term incentive plans.

As at December 31, 2024, the Company has 90,596 Class A Common Shares remaining that are available for distribution (2023 - 92,368 Class A Common Shares).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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12. Share-based compensation (continued):

The following table presents information about these share-based compensation plans:

2024	Number of Options	Weighted average exercise price	Fair value of Options	Number of RSUs	Fair value of RSUs	Number of PSUs	Fair value of PSUs	Number of EDSUs	Fair value of EDSUs
Outstanding as at January 1	7,632	\$ 2,117	\$ 15,201	2,659	\$ 9,295	1,315	\$ 4,597	679	\$ 2,376
Granted	1,772	3,496	—	634	2,219	548	1,808	—	—
Dividend equivalents granted	—	—	—	443	1,537	244	850	144	543
Exercised	—	—	—	(1,239)	(4,251)	(736)	(2,525)	—	—
Forfeited	—	—	—	(92)	(315)	(32)	(108)	—	—
Changes in fair value	—	—	7,520	—	356	—	302	—	110
Outstanding as at December 31⁽¹⁾	9,404	\$ 1,692	\$ 22,721	2,405	\$ 8,841	1,339	\$ 4,924	823	\$ 3,029
Exercisable as at December 31	—	—	—	—	—	—	—	823	\$ 3,029
Weighted average remaining contractual life (years)	7.40	—	—	1.71	—	1.66	—	—	—

⁽¹⁾The exercise price of the options as at December 31, 2024 includes the impact of the dividends paid throughout the year.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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12. Share-based compensation (continued):

2023	Number of Options	Weighted average exercise price	Fair value of Options	Number of RSUs	Fair value of RSUs	Number of PSUs	Fair value of PSUs	Number of EDSUs	Fair value of EDSUs
Outstanding as at January 1	5,042 \$	2,134 \$	9,052	2,264 \$	7,436	1,345 \$	4,419	750 \$	2,465
Granted	2,590	3,357	—	721	2,380	676	2,363	—	—
Dividend equivalents granted	—	—	—	327	1,075	161	537	87	326
Exercised	—	—	—	(593)	(1,958)	(836)	(2,755)	(158)	(517)
Forfeited	—	—	—	(60)	(183)	(31)	(105)	—	—
Changes in fair value	—	—	6,149	—	545	—	138	—	102
Outstanding as at December 31⁽¹⁾	7,632 \$	2,117 \$	15,201	2,659 \$	9,295	1,315 \$	4,597	679 \$	2,376
Exercisable as at December 31	—	—	—	—	—	—	—	679 \$	2,376
Weighted average remaining contractual life (years)	8.07	—	—	1.76	—	1.87	—	—	—

⁽¹⁾The exercise price of the options as at December 31, 2023 includes the impact of the dividends paid throughout the year.

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Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

12. Share-based compensation (continued):

Material accounting judgements, estimates and assumptions:

The fair value of Options is measured using the Black-Scholes valuation model as at the end of each reporting period.

The inputs and assumptions used in the measurement of fair value of the Options are as follows:

	December 31,		December 31,	
	2024		2023	
Fair value per share at reporting date	\$	3,676	\$	3,496
Weighted average exercise price per share	\$	1,692	\$	2,117
Expected volatility		21.11%		21.11%
Expected option life (years)		7.4		8.1
Expected dividend yield		—%		—%
Weighted average risk-free interest rate		3.06%		3.19%

Fair value per share is estimated based on an internal valuation of the Company at the reporting date. Expected volatility is estimated based on the mean volatility of the general index of Canadian financial companies. The expected option life of the instrument is estimated based on the Company's expectations about the timing of option exercises. Dividend yield is estimated as nil because of the presence of a dividend protection feature included in the Option Plan. The risk-free rate is determined with reference to Government of Canada bonds that have maturity dates approximating the estimated remaining terms of the share-based awards.

The fair value of the RSUs, PSUs and EDSUs is measured at the fair value of the Class A Common Shares of the Company at the end of each reporting period.

The Company records share-based compensation expense only to the extent that the share-based awards are expected to vest based on the Company's best estimate of the outcome of service and performance conditions.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

12. Share-based compensation (continued):

The following tables provide information about the expenses and liabilities arising from share-based compensation:

		2024		2023
Expenses arising from:				
Options	\$	7,647	\$	4,998
RSUs		3,497		3,721
PSUs		2,160		2,473
EDSUs		653		428
Share-based compensation expense	\$	13,957	\$	11,620

		2024		2023
Total carrying amount of liabilities for cash-settled arrangements	\$	29,567	\$	22,386
Total intrinsic value of liability for vested benefits	\$	9,421	\$	5,489

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

13. Intangible assets and goodwill:

(a) Intangible assets:

The Company's intangible assets are comprised of computer software and cloud technology assets. The intangible assets are summarized as follows:

Cost		2024		2023
Balance as at January 1	\$	79,658	\$	73,625
Acquisitions during the year - externally purchased		6,641		6,033
Balance at December 31		86,299		79,658
Amortization				
Balance as at January 1	\$	63,531	\$	58,228
Amortization expense for the year		5,390		5,303
Balance at December 31		68,921		63,531
Net carrying amount	\$	17,378	\$	16,127

Amortization of intangible assets is included in office, information technology, refer note 21 - Expenses.

(b) Goodwill:

On January 17, 1995, the Company acquired certain assets and assumed certain liabilities from the Mortgage Insurance Company Canada ("MICC") related to MICC's residential mortgage insurance line of business. The excess of the purchase price over the estimated fair value of the net assets was recognized as goodwill.

Goodwill impairment test:

The Company determines whether goodwill is impaired at least annually and when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is considered impaired to the extent that its carrying amount exceeds its recoverable amount. The recoverable amount of the Company's single CGU, which is its mortgage insurance business, was determined based on its value in use. Value in use was calculated by discounting the future cash flows generated from continuing use of the CGU.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

13. Intangible assets and goodwill (continued):

Material accounting judgements, estimates and assumptions:

In determining value in use for purpose of impairment testing, the Company applied the following key estimates and assumptions:

- Cash flow and income projections for the next five years based on the Company's Multi-Year Plan which incorporates assumptions about premium growth, loss development and other relevant industry and economic assumptions and which has been approved by the Company's Board of Directors.
- Cash flow projections beyond the five-year period were estimated by applying terminal growth rates to the last year of the Multi-Year Plan reflecting the Canadian five-year historical average core inflation rate, which does not exceed the long-term average growth rate for the industry.
- Pre-tax discount rate based on the Company's weighted average cost of capital, adjusted for a risk premium.

Key assumptions:

	December 31, 2024	December 31, 2023
Terminal growth rate	2.1 %	2.1 %
Pre-tax discount rate	29.5 %	23.4 %

Based on the value in use calculation, the recoverable amount of the unit was determined to be higher than its carrying amount. No goodwill impairment charge has been recognized in the year ended December 31, 2024 (December 31, 2023 - nil).

14. Transactions with lenders:

Gross premiums written from three major lenders (defined as lenders that individually account for more than 10% or more of the Company's gross premiums written) were \$278,105, representing 36% of the Company's total gross premiums written for the year ended December 31, 2024 (2023 - gross premiums written from three major lenders that individually accounted for 10% or more of the Company's gross premiums written were \$196,657 or 32%).

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Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

15. Share capital:

The share capital of the Company is comprised of the following:

	2024	2023
Authorized:		
Unlimited common shares with nominal or no par value ⁽¹⁾		
Issued:		
1,021,332 Class A Common Shares (2023 - 1,015,628)	767,600	725,656
4,000,000 Class A Preferred Shares (2023 - 4,000,000)	97,907	97,907
Share capital	\$ 865,507	\$ 823,563

⁽¹⁾Holders of common shares will, except where otherwise provided by law be entitled to elect a portion of the Board of Directors, vote at all meetings of shareholders of the Company and be entitled to one vote per common share. Holders of common shares are entitled to receive dividends as and when declared by the Board of Directors and, upon voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of common shares are entitled to receive the remaining property and assets of the Company available for distribution, after payment of liabilities. All issued shares are fully paid.

The following table presents the changes in the number of common shares outstanding that occurred during each year:

	2024	2023
Common shares, January 1	1,015,628	1,009,590
Class A Common Shares issued in connection with corporate reorganization (note 9(c))	5,704	6,038
Class A Common Shares, December 31	1,021,332	1,015,628

At December 31, 2024, Brookfield owns 100% of Class A Common Shares of the Company (2023 - 100%).

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Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

15. Share capital (continued):

Class A Common Shares:

On December 10, 2024, as part of a corporate reorganization undertaken for tax purposes, the Company issued 5,704 Class A Common Shares in the amount of \$20,972 to Falcon Intermediate Holding Corporation, a Brookfield subsidiary and the Company's direct shareholder, to acquire Falcon AA Holdings Inc., another Brookfield subsidiary. Falcon AA Holdings Inc. was subsequently transferred to and wound up into the Company in order for the Company to gain access to its accumulated tax losses available, which have been carried forward. Additionally, an amount of \$20,972 was recognized directly in share capital related to incremental tax benefits realized by the Company as a result of this transaction.

On December 12, 2023, as part of a corporate reorganization undertaken for tax purposes, the Company issued 6,038 Class A Common Shares in the amount of \$20,901 to Falcon Intermediate Holding Corporation, a Brookfield subsidiary and the Company's direct shareholder, to acquire Falcon Sub 5 Corporation, another Brookfield subsidiary. Falcon Sub 5 Corporation was subsequently wound up into the Company in order for the Company to gain access to its accumulated tax losses available, which have been carried forward. Additionally, an amount of \$20,901 was recognized directly in share capital related to incremental tax benefits realized by the Company as a result of this transaction.

Preferred Shares:

The Company continues to satisfy the public float requirement of the *Insurance Companies Act* (Canada) through the issuance of 4,000,000 non-cumulative Class A preferred shares, Series 1 (the "Series 1 Shares") of the Company.

Each Series 1 Share entitles the holder thereof to fixed, non-cumulative dividends, if, as and when declared by the Board of Directors of the Company, with an annual dividend yield of 5.40%. Such dividends, if declared, will be paid on the last day of March, June, September and December in each year at a rate equal to \$0.3375 per Series 1 Share.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

15. Share capital (continued):

During the year ended December 31, 2024, the Company declared and paid the following preferred share dividends:

Date declared	Date paid	Amount paid (per share)	Aggregate amount paid
February 1, 2024	March 28, 2024	\$ 0.3375	\$ 1,350
May 2, 2024	June 28, 2024	\$ 0.3375	\$ 1,350
August 1, 2024	September 27, 2024	\$ 0.3375	\$ 1,350
November 7, 2023	December 31, 2024	\$ 0.3375	\$ 1,350
Total		\$	5,400

In order to maintain in force an exemption order from the public voting requirement in Section 411 of the *Insurance Companies Act* (Canada) that has been granted to the Insurance Subsidiary, and subject to certain other limitations and conditions, the Series 1 Shares, as a class, carry adjustable voting rights to ensure that at any given time, 35% of the voting rights in the Company will held by persons who, among other things do not hold 20% or more of any class of voting shares of the Company.

The Series 1 Shares are not redeemable at the option of the Company prior to March 31, 2026. On or after March 31, 2026, the Company may, on not less than 30 nor more than 60 days' notice, redeem the Series 1 Shares in whole or in part, at the Company's option, by payment in cash of:

- i. \$26.00 per Series 1 Share if redeemed on or after March 31, 2026 but prior to March 31, 2027;
- ii. \$25.75 per Series 1 Share if redeemed on or after March 31, 2027 but prior to March 31, 2028;
- iii. \$25.50 per Series 1 Share if redeemed on or after March 31, 2028 but prior to March 31, 2029;
- iv. \$25.25 per Series 1 Share if redeemed on or after March 31, 2029 but prior to March 31, 2030; and
- v. \$25.00 per Series 1 Share if redeemed on or after March 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date fixed for redemption.

Issued and outstanding Series 1 Shares rank in priority to the Class A Common Shares with regards to payment of dividends.

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Notes to Consolidated Financial Statements (continued)
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16. Capital management and regulatory requirements:

The Insurance Subsidiary is a regulated insurance company governed by PRMHIA and the provisions of the *Insurance Companies Act* ("the Act"), which is administered by OSFI. As such, the Insurance Subsidiary is subject to certain requirements and restrictions contained in PRMHIA and the Act. The requirements and restrictions are primarily aimed at protecting policyholders and creditors and include:

- restrictions on the amount of outstanding mortgages insured by the Company;
- restrictions on the types of insurance products that may be offered;
- establishment of mortgage insurance eligibility criteria;
- restrictions on the distribution of the Company's products;
- restrictions on types of invested assets;
- the requirement to maintain a required level of regulatory capital including adequate margins for unearned premiums reserve and unpaid claims;
- the examination of insurance companies by regulatory authorities, including periodic financial and market conduct examinations; and
- limitations on dividends and transactions with affiliates.

Capital management:

Capital is comprised of the Company's shareholders' equity. The Company's objectives when managing capital are to maintain financial strength and a strong financial strength credit rating, to support its claim-paying ability, and to maximize returns to shareholders over the long term.

Under PRMHIA and the Act, the Insurance Subsidiary is required to meet a Mortgage Insurance Adequacy Test ('MICAT') to support its outstanding mortgage insurance in force.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

16. Capital management and regulatory requirements (continued):

The MICAT framework focuses on capital requirements for insurance risk, which consist primarily of:

- (a) A base requirement that applies to all insured mortgages at all times; plus
- (b) A supplementary requirement that applies only to mortgages originated during periods when the housing market for the region that corresponds to the mortgage has a house price-to-income ratio that exceeds a specified threshold (with this supplementary requirement not applying to mortgages insured prior to January 1, 2017); less
- (c) Premium liabilities, consisting of the LRC and the reserve for IBNR .

Supplementary capital is tied to the behaviour of property prices, both in terms of recent housing price trends and the behaviour of housing prices relative to household incomes.

The OSFI supervisory MICAT target ratio and the minimum MICAT ratio under PRMHIA is 150%. The Company's internal target ratio for 2024 under the MICAT established for capital management purposes is 157% (December 31, 2023 - 157%).

As at December 31, 2024, the Insurance Subsidiary had a MICAT ratio of approximately 177% (2023 - 172%) and management has determined that the Insurance Subsidiary has complied with regulatory capital requirements.

The requirements to maintain specified levels of capital, to measure the degree to which the Insurance Subsidiary is able to meet regulatory requirements, the Company's Appointed Actuary presents an annual report on Financial Conditions Testing to the Board of Directors and management on the Insurance Subsidiary's current and future solvency under various projected scenarios prior to its submission to OSFI.

The Company's Board of Directors has adopted a capital management policy for the Company and the Insurance Subsidiary. The policy identifies sources of capital, establishes a capital adequacy target for the Insurance Subsidiary and sets a financial leverage target and dividend policy for the Company. As part of its ongoing management of capital, the Company prepares capital forecasts and regularly compares actual performance with forecasted results.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2024 and 2023

17. Debt outstanding:

Summary of debt outstanding:

Issuance	Maturity date	Term (years)	Coupon rate	Coupon payment	Principal amount	Net carrying value	
						December 31, 2024	December 31, 2023
Debentures:							
Series 4	March 1, 2027	7	2.955%	March 1 and September 1	282,000	281,418	281,161
Series 5	March 5, 2031	10	3.261%	March 5 and September 5	294,000	292,640	292,444
Series 7	March 19, 2028	5	5.909%	May 19 and November 19	200,000	198,830	198,528
Hybrid Notes:							
Series 6 ⁽²⁾	March 24, 2081	60	4.950%	March 24 and September 24	150,000	148,660	148,481
					\$ 926,000	\$ 921,548	\$ 920,614

⁽¹⁾The Series 3 was fully repaid on June 19, 2023.

⁽²⁾The Series 6 notes initially have a coupon of 4.95% per annum. On March 24, 2031, and on every fifth anniversary thereafter, the coupon rate will reset to a rate per annum equal to the five-year Government of Canada Yield plus a spread of 3.566% for the period from March 2031 to March 2051, and 4.316% for the period from March 2051 until maturity. The Series 6 notes may be redeemed at the option of the Company on or after March 24, 2026 at a redemption price between 101% to 104% of the principal amount if redeemed prior to March 24, 2030, with the redemption price declining for each year that the notes remain outstanding, and 100% of the principal amount if redeemed on or after March 24, 2030, plus accrued and unpaid interest. The Series 6 notes are subordinated to all indebtedness and obligations of the Company and are subject to automatic conversion into preferred shares of the Company in the event of bankruptcy or insolvency.

The debentures and the hybrid notes are accounted for at amortized cost which equals their carrying value.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

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17. Debt outstanding (continued):

New debt issuances and existing debt redemptions:

On May 19, 2023, the Company completed an offering of \$200,000 principal amount of debentures due May 19, 2028 ("Series 7"). The Series 7 debentures were issued for gross proceeds of \$200,000, before approximate issuance costs of \$1,651. The Company's debentures 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.

On June 19, 2023, the Company used the proceeds from the Series 7 debenture offering, in part, to redeem outstanding principal amount of its 4.242% Series 3 debentures with a principal amount of \$169,934 which were to mature on April 1, 2024. The redemption price for Series 3 was \$169,934 plus accrued and unpaid interest up to the redemption date.

As at December 31, 2024 and December 31, 2023, the Company was in compliance with all debt covenants.

Changes in the Company's borrowings are presented in the table below:

	Debt outstanding	Interest payable ⁽¹⁾
Balance as at January 1, 2024	\$ 920,614	\$ 8,748
Net amortization of premium and capitalized borrowing costs	934	—
Proceeds from borrowings under credit facility	22,000	—
Repayments of borrowings under credit facility	(22,000)	—
Interest expense	—	37,950
Interest paid	—	(37,272)
Balance as at December 31, 2024	\$ 921,548	\$ 9,426

⁽¹⁾Accrued interest payable is recorded in accounts payable and accrued liabilities included in the consolidated statements of financial position.

Credit Facilities:

As at December 31, 2024, the Company had an undrawn unsecured syndicated revolving credit facility of \$300 million (the "Revolving Facility").

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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17. Debt outstanding (continued):

The Revolving Facility is described below:

	Revolving Facility
Amount	Up to \$300 million
Maturity Date	September 30, 2027
Tenure	5 years
Draw Period	5 years
Status	Active

The Revolving Facility includes an accordion feature that permits the Company to request that individual commitments with respect to the credit facility be increased by an aggregate amount of up to \$100 million.

The Company pays standby fees based on the committed and undrawn principal amount of the credit facilities, which is recognized in interest expense in the consolidated statements of income. The credit facilities include customary representations, warranties, covenants, terms and conditions for transactions of this type.

As at December 31, 2024, there was no amount outstanding under the Revolving Facility and all covenants under the credit facilities were fully met.

Debt outstanding is classified as Level 2 in the fair value hierarchy. The fair value of debt outstanding was \$891,893 at December 31, 2024 as compared to its carrying value of \$921,548 (December 31, 2023 - \$832,896 as compared to its carrying value of \$920,614).

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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18. Non-current assets and liabilities:

The following table presents assets and liabilities the Company expects to recover or settle more than one year after the period end.

	December 31, 2024	December 31, 2023
Assets:		
Derivative financial instruments	\$ 12,518	\$ 122,948
Bonds and debentures, private credit loans and alternative assets	4,751,486	4,977,304
Preferred shares	491,204	259,194
Total assets	5,255,208	5,359,446
Liabilities:		
Insurance contract liabilities	2,052,450	1,988,344
Derivative financial instruments	30,554	125,538
Accrued net benefit liabilities under employee benefit plans	30,170	35,743
Debt outstanding	921,548	920,614
Total liabilities	3,034,722	3,070,239
Net assets due after one year	\$ 2,220,486	\$ 2,289,207

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2024 and 2023

19. Fair value measurement:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in estimating the fair value of financial instruments. The hierarchy of inputs is summarized below:

- Level 1 – inputs used to value the financial instruments are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs used to value the financial instruments are other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs used to value the financial instruments are not based on observable market data.

SAGEN MI CANADA INC.

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19. Fair value measurement (continued):

The following tables set forth the classification of financial instruments carried at fair value based on the fair value hierarchy:

December 31, 2024	Carrying amount				Fair value		
	FVOCI	FVTPL	Amortized cost	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets measured at fair value:							
Cash and cash equivalents	\$ 33,535	\$ —	\$ —	\$ —	\$ 33,535	\$ —	\$ —
Short-term investments	4,981	—	—	—	4,981	—	—
Derivative financial instruments	—	27,335	—	—	—	27,335	—
Bonds and debentures	5,226,531	41,945	—	—	—	5,268,476	—
Alternative assets	—	64,394	—	—	—	—	64,394
Preferred shares	378,884	112,320	—	—	491,204	—	—
	5,643,931	245,994	—	—	529,720	5,295,811	64,394
Financial assets not measured at fair value:							
Cash and cash equivalents ⁽¹⁾	—	—	316,601	—	—	—	—
Accrued investment income and other receivables	—	—	121,924	—	—	—	—
Private credit loans	—	—	149,456	—	—	—	—
	—	—	587,981	—	—	—	—
Financial liabilities measured at fair value:							
Derivative financial instruments	—	(130,752)	—	—	—	(130,752)	—
Financial liabilities not measured at fair value:							
Accounts payable and accrued liabilities ⁽¹⁾	—	—	—	(144,568)	—	—	—
Debt outstanding	—	—	—	(921,548)	—	(891,893)	—
	—	(130,752)	—	(1,066,116)	—	(1,022,645)	—
Total financial liabilities	\$ 5,643,931	\$ 115,242	\$ 587,981	\$ (1,066,116)	\$ 529,720	\$ 4,273,166	\$ 64,394

⁽¹⁾Excludes \$3,940 cash pledged as collateral to the Company from its derivative counterparties.

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Notes to Consolidated Financial Statements (continued)
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19. Fair value measurement (continued):

December 31, 2023	Carrying amount				Fair value		
	FVOCI	FVTPL	Amortized cost	Other financial liabilities	Level 1	Level 2	Level 3
Financial assets measured at fair value:							
Cash and cash equivalents	\$ 259,390	\$ —	\$ —	—	\$ 259,390	\$ —	—
Short-term investments	18,090	—	—	—	18,090	—	—
Derivative financial instruments	—	175,943	—	—	—	175,943	—
Bonds and debentures	5,293,306	30,347	—	—	—	5,323,653	—
Alternative assets	—	48,327	—	—	—	—	48,327
Private credit loans	—	5,647	—	—	—	5,647	—
Preferred shares	324,501	167,287	—	—	491,788	—	—
	5,895,287	427,551	—	—	769,268	5,505,243	48,327
Financial assets not measured at fair value:							
Cash and cash equivalents ⁽¹⁾	—	—	100,192	—	—	—	—
Accrued investment income and other receivables	—	—	87,030	—	—	—	—
Private credit loans	—	—	81,644	—	—	—	—
	—	—	268,866	—	—	—	—
Financial liabilities measured at fair value:							
Derivative financial instruments	—	(132,700)	—	—	—	(132,700)	—
Financial liabilities not measured at fair value:							
Accounts payable and accrued liabilities ⁽¹⁾	—	—	—	(99,609)	—	—	—
Debt outstanding	—	—	—	(920,614)	—	(832,896)	—
	—	(132,700)	—	(1,020,223)	—	(965,596)	—
Total financial liabilities	\$ 5,895,287	\$ 294,851	\$ 268,866	\$ (1,020,223)	\$ 769,268	\$ 4,539,647	\$ 48,327

⁽¹⁾Excludes \$92,163 cash pledged as collateral to the Company from its derivative counterparties.

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

19. Fair value measurement (continued):

The fair value of cash and cash equivalents, accrued investment income and other receivables, private credit loans, and accounts payable and accrued liabilities approximates their carrying value.

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers between levels of the fair value hierarchy at the beginning fair value for the reporting period in which the changes occur. The Company does not typically have any transfers between the levels of the fair value hierarchy, and there were no such transfers during the years ended December 31, 2024 and 2023.

The following table presents a reconciliation of fair value measurements of Level 3 financial assets:

December 31, 2024		
Balance, beginning of the year	\$	48,327
Total losses recognized in net income		(1,219)
Purchases		22,935
Paydowns		(10,201)
Foreign currency gain on translation		4,552
Balance, end of the year	\$	64,394
December 31, 2023		
Balance, beginning of the year	\$	—
Total gains recognized in net income		141
Purchases		54,134
Paydowns		(5,828)
Foreign currency loss on translation		(120)
Balance, end of the year	\$	48,327

SAGEN MI CANADA INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2024 and 2023

19. Fair value measurement (continued):

Valuation of Level 2 financial instruments:

Fair values of bonds and debentures, including CLOs, are obtained primarily from industry standard pricing services and third-party brokers utilizing market observable inputs. Fair value is assessed by analyzing available market information through processes such as benchmark curves, benchmarking of like securities and quotes from market participants.

Observable information is compiled and integrates relevant credit information, interest rates of the underlying investment, perceived market movements and sector news. Market indicators, industry and economic events are also monitored as triggers to obtain additional data. The primary inputs used in determining fair value of bonds and debentures are interest rate curves and credit spreads.

Derivative financial instruments are non-exchange traded foreign currency forwards, cross currency interest rate swaps and interest rate swaps. The value of these derivative financial instruments is determined using an income approach in which future cash flows expected from the contracts are discounted to reflect the current value of the derivative financial instruments.

The following table describes the primary inputs used in valuing the Company's derivative financial instruments:

Derivative Financial Instrument	Primary Inputs
Foreign currency forwards and cross currency interest rate swaps	Interest rate yield curves and foreign currency exchange rates
Interest rate swaps	Interest rate yield curves

Valuation of Level 3 financial instruments:

Level 3 financial assets are alternative assets comprising an investment in the BID (Brookfield Infrastructure Debt) III fund (the "Fund"), a vehicle for debt investments in high quality infrastructure assets. 90% of Company's investment in the Fund consists of secured fixed rate notes and 10% consists of a residual equity interest in the form of certificates. The fair value of Sagen's investment is based on the amortized cost of the notes and the fair value of the equity certificates, which is determined based on the fund's performance against a target return. The target return is based on market transactions of the fund and is an unobservable input. Given the equity certificates make up a small portion of the overall fund, changes in the target return do not have a significant impact on the fair value of the fund.

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(In thousands of Canadian dollars, except per share amounts)

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20. Investment in associate:

On February 5, 2024, the Company paid \$7,486 to acquire an additional 7.30% of common shares in the capital of IMGC from its existing shareholders, increasing its ownership interest from approximately 40.20% to approximately 47.50%. IMGC offers mortgage guarantees against borrower defaults on housing loans to mortgage lenders in India. As the only mortgage guarantee company in India, IMGC offers products that help lenders expand their businesses and enter new and underserved markets by providing them with an added layer of protection through a mortgage guarantee. The investment in this entity has been classified as an investment in associate and is accounted for using the equity method. The Company recognized losses from associate of \$1,674 for the year ended December 31, 2024 (losses of \$735 for the year ended December 31, 2023).

The following table represents the balance of investment in associate:

		2024
Balance as at January 1, 2024	\$	39,335
Loss from associate recognized in income		(1,674)
Foreign currency loss on translation		(627)
Additional investment		7,486
Balance as at December 31, 2024	\$	44,520
		2023
Balance as at January 1, 2023	\$	40,005
Loss from associate recognized in income		(735)
Foreign currency gain on translation		65
Balance as at December 31, 2023	\$	39,335

As of December 31, 2024, there were no events or changes in circumstances that indicate that the carrying value of the investment is not recoverable.

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21. Expenses:

The following table presents the breakdown of expenses incurred:

	December 31, 2024	December 31, 2023
Expenses		
Premium taxes and underwriting fees	\$ 52,741	\$ 43,651
Employee compensation	65,391	61,600
Professional fees	5,768	6,508
Promotional and travel	3,229	3,510
Office, Information technology	27,027	24,780
Regulatory fees and assessments	3,175	3,447
Total expenses	157,331	143,496
Deferral of insurance acquisition expenses within the LRC	(90,891)	(82,169)
Amortization of insurance acquisition expenses	83,873	68,703
Total expenses after net change in acquisition expenses	150,313	130,030
Expenses allocated to insurance service expenses ⁽¹⁾	109,339	92,611
Expenses allocated to other operating expenses	40,974	37,419
Total expenses after net change in acquisition expenses	\$ 150,313	\$ 130,030

⁽¹⁾Excludes net losses on claims.

22. Comparatives:

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